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Italy's centre parties launch offensive

By Robert Graham

ITALIAN ELECTIONS
March 27

Italy's centre parties have launched a desperate offensive to avoid being squeezed to insignificance by the big coalitions to their left and right in the March 27 general elections.

Centrist leaders yesterday began a series of measured attacks focusing on disagreements within the Progressive Alliance led by the former communist Party of the Demo-

cratic Left (PDS) and the potential cost of media magnate Mr Silvio Berlusconi's economic programme.

Until now the two principal groupings forming the centrist Italian Pact - the Popular party (PP), formed from the defunct Christian Democrats, and referendum leader Mario Segni's Pact - have been marginalised.

But in the past few days the centrists have taken heart from a growing feeling that neither the left nor the right are likely to win an outright parliamentary majority. They are thus hoping to play a broker's role in forming the next

government. Mr Giorgio La Malfa, the Republican party leader and part of the Italian Pact, said yesterday: "In the past few days the centre has realised itself because people have realised there are not two but three voting options... They also have woken up to the fact that today's alliances on the left and right would be tomorrow's government if either wins outright."

He and other centrist politicians also highlighted the contradictions in the position of the PDS's principal ally, Reconstructed Communism, formed from the hardline

rump of the old Italian Communist party. Reconstructed Communism supports raising taxes on government bonds and withdrawing from Nato.

At the same time, Professor Mario Baldassarri, the chief economist of the Pact, said the free market proposals of Mr Berlusconi's Forza Italia platform risked a drop of some L45,000bn (\$27bn) in budget revenues. He said yesterday the programme would be impossible to carry out without raising the ratio of debt to GDP to well over 125 per cent by 1995.

Mr La Malfa went further and claimed that a govern-

ment formed solely from the right - Forza Italia, the populist Lombard League and the neo-fascist MSI/National Alliance - risked provoking a confrontation with Italy's trades unions.

This in turn put at risk the July 1993 tripartite agreement between employers, trades union and the Ciampi government linking wage increases to productivity and ending wage indexation.

Coinciding with these criticisms, the former Socialist prime minister, Mr Giuliano Amato, has been pointing to the need for a broad-based government. Both Mr Achille

Occhetto, the PDS leader, and Mr Berlusconi have been hinting that this was an option they could support.

Playing on the large number of undecided voters and the fear of a polarised result is the best tactic available to the centre. Nevertheless, the Italian Pact and its leader, Mr Segni, still risks being the main victim of the new first-past-the-post voting system that covers 75 per cent of parliamentary seats. Both the left and right appear to have acquired a critical mass of support, making it hard at the constituency level for Pact candidates to get the most votes.

Doctors in Sweden fight PM's cure-all

By Hugh Carnegie
in Stockholm

Pressures building over two years of reform and spending cuts in Sweden's health service, a central pillar of the country's famous welfare system, have come to a head this month in the form of a rare strike by doctors.

Thousands of non-urgent operations have already been postponed in hospitals around the country because of two successive two-and-a-half day stoppages by surgeons and doctors in a dispute over weekend and night-duty pay rates and the implementation of a new liberal system governing family doctors. With no sign of a breakthrough in negotiations, the Swedish Medical Association, whose 24,000 members represent 95 per cent of the country's doctors, has dug in its heels, calling out 2,800 of its members for a third round of selective strikes next week.

The dispute springs directly from efforts by the right-centre government of the prime minister, Mr Carl Bildt, which came to power in late 1991, to both liberalise the monopolistic health service and squeeze savings out of a system which until recently put Sweden among the highest spenders on health as a proportion of GNP within the OECD.

The current row revolves around a reform which for the first time gives Sweden the right to choose their individual family doctor and which gives doctors the right to set up private practices independent of the local authorities.

A further change, due to take effect next month, will also allow specialist doctors to set up privately for the first time. Neither step amounts to a splitting of the system. So far fewer than 1,000 doctors have opted to go private, while the majority are apparently content to remain within the governance of the local health authorities.

The reforms are part of a

general thrust by the Bildt government to introduce greater competition into the system - a move fiercely resisted by the opposition Social Democratic party, the architect of Sweden's welfare edifice. If Mr Bildt should win the general election in September (which the polls suggest is unlikely) he would like to move on to allowing the establishment of private hospitals in Sweden outside local authority control.

The medical association, ironically, is in principle in favour of greater freedoms for its members. But it is objecting to a proposal that family doctors who are chosen by fewer than 1,000 patients should be fired by the local authorities, regardless of their length of service.

The second dispute is about proposals by the local authorities - who negotiate centrally with the medical association - to cut higher weekend and night-duty pay rates for doctors to compensate for health spending cuts.

According to the association of county councils, overall health service spending has been cut by SKr5bn (£425m) in each of the last two years, bringing annual spending down to SKr18bn, or about 7.5 per cent of GNP, one of the lowest levels in the OECD.

Further cuts this year are set to take up to another 4 per cent out of spending. Up to 35 per cent of surgical beds have been closed and some 30,000 jobs have been cut from the health service workforce, which is now down to around 400,000, or one tenth of the country's workforce.

Other savings have been achieved through widespread contracting out of services such as catering and laundry. Mr Bildt's government says the changes have made the system more efficient, but doctors appear to be facing surprisingly little public criticism of their strike action, which has not affected emergency services.

Battle in outpost to open road to Rome

Robert Graham reports from the port city of Trieste, where electioneering differs from the rest of Italy

Few places feel as far away from Rome as Trieste, the once proud port city of the Austro-Hungarian empire, which looks across the placid waters of the Adriatic to the Italian peninsula.

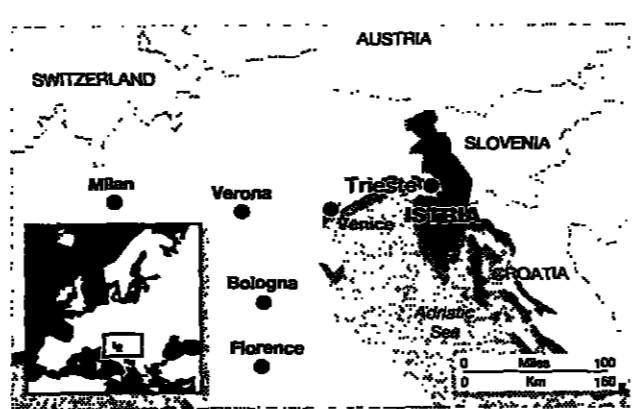
The chatter of Slav languages can be heard down by the wharves. Dotted about the city is an array of buildings and monuments attesting to a

polyglot influence from north and central Europe, including a staircase dedicated to the sojourn of James Joyce.

Not surprisingly the general election campaign has a distinctive local flavour. This is dictated by the 25,000-strong Slovene-speaking community and by the irredentist demands of the right for a return of large parts of Istria, territory lost by Mussolini's adventurism and formally allotted under the 1975 Treaty of Osimo to Yugoslavia, now complicated by the break-up into neighbouring Slovenia and Croatia.

Trieste is the sole place in north and central Italy where the neo-fascist MSI movement, recently re-baptised the National Alliance, is running candidates independent of media magnate Silvio Berlusconi's Forza Italia movement. The MSI accounts for more than 20 per cent of the vote, feeding on the 350,000 Italians in the region forced out of Istria and still hoping to recover property. Mr Gianfranco Fini, the movement's leader, has chosen Trieste as one of the seats he is contesting for the chamber of deputies under proportional representation rules.

Politically, the city also set an unusual precedent in municipal elections last December. Mr Riccardo Illy, dubbed "the king of illy" because of his big family coffee



business, was elected mayor without any previous political experience and refuses to draw an official salary.

He beat off a close challenge from the populist Northern League of Mr Umberto Bossi with the support of eight parties from the left and centre. "The big change since the municipal elections has been the appearance of Berlusconi's Forza Italia movement," says Mr Illy.

Forza Italia only appeared here towards the end of February. Already more than 50 Forza Italia supporters' clubs have sprung up in the city and the surrounding region. All this is the result of its enormous resources deployed nationwide.

Indeed, the Trieste operation epitomises the way Mr Berlusconi's Fininvest media group has been used to provide a national organisational framework for his political ambitions. The Forza Italia movement in many respects is little more than a political front for Fininvest.

Even Forza Italia's hastily selected main candidate for the chamber, Mrs Antonietta Vascotto, a television documentary producer and commentator with no previous political experience, is linked to the Berlusconi empire.

She appears on one of the Fininvest channels discussing Trieste issues. The Trieste constituency consists of 270,000 voters, split into two chamber seats on the new majority vote system and one for the old proportional representation system, plus one senate seat. Here, as in the rest of northern Italy, Forza Italia is allied with the League and a breakaway faction of the old Christian Democrat party.

The polls suggest this alliance has just more than a third of the vote, slightly ahead of the Progressive Alliance led by the former communist Party of the Democratic Left (PDS). Much of Forza Italia's strength, however, comes from previous League supporters - in turn defectors from the former Christian Democrats who used to account for a quarter of the vote.

Even though Forza Italia and the League each agreed to field one candidate for the two majority-vote chamber seats, the alliance is not easy. "It is natural that some of our League vote goes to Forza Italia. We have lost some appeal as a new party," says League candidate Gualberto Niccolini, a well-known local sports journalist. He can afford to be more relaxed as he has the easier of the two seats. The other seat covers a more industrial belt with a strong Slovene presence long cultivated by the left.

Mr Renato Kneipp, the Progressive Alliance candidate in this constituency, is a popular Slovene. However, the League and Forza Italia are trying to discredit Mr Kneipp by stressing his membership of Reconstructed Communism, the hardline rump of the old Communist party which refused to join the PDS.

"The PDS said it broke with communism and now they are allied with people who still call themselves communist," says Mr Niccolini.

The Trieste has a tradition of backing parties and candidates that address local issues. Today this means those seen as most capable of pressing for the city's free port and offshore financial status, developing high-tech jobs linked to the prestigious Trieste university and arguing for a voice in the fast changing world on its frontiers.

Even though Forza Italia and the League each agreed to field one candidate for the two

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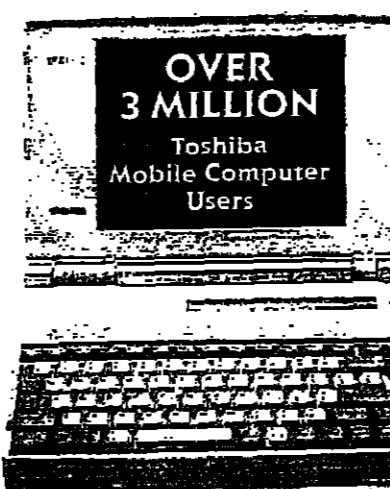


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NEWS: AMERICAS

Brazil may complete debt restructuring without IMF

By Angus Foster in São Paulo

Brazil is actively studying whether to complete its \$52bn commercial debt restructuring without the formal blessing of the International Monetary Fund.

Going ahead without IMF approval of a standby loan would make the restructuring more expensive and also deprive Mr Fernando Henrique Cardoso, finance minister and

potential presidential candidate, of the kudos of IMF backing.

But Mr Cardoso, who was yesterday due to meet Citibank, the restructuring's closing agent, in New York, is being urged to finalise the deal rather than risk another extension beyond the April 15 deadline. Bankers fear it may be hard to approve another extension and that the deal would be delayed by October's elections.

According to the deal's timetable, Brazil must give notification by tonight that the April 15 deadline will be met and old debt swapped for new. This deadline has already been extended and bankers say it cannot be stretched further.

Mr Cardoso had hoped to persuade the IMF to agree a letter of intent for the stand-by loan during meetings on Wednesday. Such a letter would have kick-started the

whole deal, and allowed the US Treasury to issue zero-coupon bonds as part of the guarantee for the restructuring.

Brazil is the developing world's largest debtor, and the only one of Latin America's big four debtor countries - the others being Mexico, Venezuela and Argentina - not to have completed a Brady-style foreign bank debt deal.

Although the IMF was supportive of Mr Cardoso, it did

not commit itself to granting the stand-by. It is thought to have insisted that Brazil run a budget surplus this year, but Brazil was only prepared to offer a balanced budget. The

IMF has also grown wary of Brazil, which has signed but failed to deliver on eight letters of intent and two standby agreements in 12 years.

For the deal to go ahead, the banks need to agree a waiver of the restructuring's original

requirement for IMF backing. Leading banks met yesterday morning to discuss a waiver, which one banker described as "do-able".

Brazil also needs to provide an acceptable guarantee in place of the US Treasury's issuance of zero coupon bonds. According to some reports, it has been accumulating bonds through market purchases, although whether enough bonds are available in the mar-

ket is unclear.

Mr Cardoso had planned to spend a quiet weekend in New York with his wife and decide whether to resign and run for president. Instead, he finds himself up against an extremely tight deadline on the bank deal. Under Brazilian law he has to resign by April 2 to contest the presidency.

Success for his domestic reforms, mainly designed to tackle annual inflation of

about 2,500 per cent, is seen as more important for his presidential ambitions. But Mr Cardoso, a former academic who is well known in Washington, also wanted the IMF letter and a smooth conclusion to the bank deal. According to finance ministry officials, he will now use the IMF's positive comments as "the best possible endorsement" given that the economic reform programme is still unproved.

Vote sets a precedent as 28 states seek new ways to finance education

Michigan raises sales tax to pay for schools

By Jurek Martin in Washington

The voters of Michigan this week set a precedent with revolutionary implications for state finances and education. They easily approved a ballot measure sharply increasing the local sales tax as a means of paying for the state's schools budget, traditionally underwritten by property taxes.

The Michigan measure, promoted by Mr John Engler, the Republican governor, would generate an additional \$2.1bn (£1.43bn) in revenues by raising to 6 per cent from 4 per cent the state sales tax and by tripling the local tax on ciga-

rettes to 75 cents a pack. This sum, specifically earmarked for education, more than covers a planned \$1.9bn cut in property taxes.

It would permit the state to increase by about 6 per cent to \$10.2bn the Michigan education budget, under such severe strain recently that one school district last year closed 10 weeks early because its resources had been exhausted.

Under the governor's plan, the state will also try to equalise the large gap in spending between rich and poor school districts by providing each district with a guaranteed minimum sum per student and by

limiting spending increases by the wealthier districts.

This discrepancy, less severe in Michigan than in most other states, is widely seen as one of the most inequitable factors in American education because it perpetuates the disadvantages of society's underclasses.

The increase in the sales tax is not considered an ideal solution, since revenues may vary according to the health of the economy.

But it was reckoned preferable to a further squeeze on property taxpayers, in widespread revolt over the last 15 years since the passage of the tax-cutting Proposition 13 in

California, or to the politically explosive alternative of higher state income taxes.

Tax-cutting at state level has come back into vogue across the country, especially now that the economic recovery has removed some of the constraints on state budgets. Mrs Christine Todd Whitman, the new governor of New Jersey, has just secured approval for a 6 per cent cut in income taxes, the first instalment, she promises, on a multi-year 30 per cent tax reduction.

Even in California, still in a recession, Governor Pete Wilson, up for re-election this year like Governor Engler, has

found fiscal room to propose a modest \$135m tax cut, mostly directed at the lower end of the income scale.

All told, according to yesterday's New York Times, 28 states are in various stages of public and legal debate about new ways to finance education and nearly 20 have active tax-shifting proposals under consideration, mostly designed to relieve property taxpayers.

According to one independent study, the recession forced the states to increase local taxes by a net \$9.2bn in 1990 and \$14.4bn in 1991 to maintain essential services. The respective increases for

the last two years were \$1.4bn and \$1.1bn. This year could see net cuts of around \$3bn.

The Clinton administration will not be displeased by the 70 per cent margin by which Michigan voters approved higher taxes on cigarettes. Its proposal for an even steeper increase in the federal excise tax on tobacco products, part of its healthcare reform plans, is being vigorously fought by the industry. Several states, most recently New York and Maryland, have approved sweeping measures restricting smoking in public buildings.



John Engler: promoted Michigan measure

Corbis Press

SOMEONE INFLUENCES MODERN DUTCH PAINTING MORE THAN REMBRANDT, VAN GOGH AND MONDRIAN PUT TOGETHER.

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During a year, we can expect to recover around 15,000 tonnes of fuel. In equivalent terms, that's enough power for around 3,000 homes. As recycling facilities go, the Moerdijk paint waste plant is state

of the art. But, then again, the Dutch have always known how to handle their paint.



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Occidental escapes clean-up damages

By Richard Waters in New York

One of the US's longest-running and most notorious environmental clean-up cases passed a milestone yesterday as a judge threw out a \$26m (£17.2m) suit for punitive damages against Los Angeles-based Occidental Petroleum.

The case, brought by New York state over contamination at the Love Canal site in Niagara, marked the first attempt by a US state to win punitive damages in a clean-up case. If successful, it could have prompted other US states to take a more aggressive approach in such cases.

Occidental has already been found liable for clean-up costs

of \$325m at the site.

The Love Canal case dates back to the 1940s, when Hooker Chemical, later acquired by Occidental, dumped chemical waste in a disused canal on a site it owned near Niagara. The site was sold in 1953 to a local authority, which built a school on it. Chemical contamination began to affect the school and surrounding housing in the 1970s, leading eventually to the displacement of 2,500 local residents.

A judge ruled yesterday that the prosecution had failed to prove Hooker had shown "reckless disregard for the safety of others", although the company "should have made greater efforts to keep local residents off the property".

'The meeting is the message' at Apec forum

In the last two months, the US has backed itself into a series of conflicts with almost half its fellow members in the Asia Pacific Economic Cooperation forum.

Besides its long-running battle to open Japan's markets, President Bill Clinton's administration has feuded with Indonesia on human rights, with Thailand on access to financial services markets and with Singapore on the island state's decision to case a US teenager for vandalism.

Most ominous of all, after the failure of a mission last week to Beijing by Mr Warren Christopher, the US secretary of state, is an impending clash with China over the human rights improvements Mr Clinton is demanding as a condition for renewing China's most favoured nation trade privileges.

Little of that, however, will surface this evening and tomorrow when finance ministers from the 17 Apec countries meet on the Hawaiian island of Oahu.

"The meeting is the message," said finance ministry officials from three different Apec countries, in unison.

Even US Treasury secretary Lloyd Bentsen's expected bilateral meetings with his Japanese and Chinese counterparts are unlikely to touch on the trade sores between them.

The meeting is the first to take place between Apec finance ministers, and marks another step forward, after a ground-breaking leaders' summit in Seattle last November, for the fledgling organisation.

Some member countries hold out great hopes of an Apec evolving gradually from "four adjectives in search of a noun", as an Australian minister described it, into the "new Pacific community" enunciated by Mr Clinton.

Even the most enthusiastic Apec supporters, however, acknowledge that progress towards such a goal, not shared by all, will be slow.

Apec offers considerable advantages as a forum bringing together nations from both sides of the Pacific. It is, for example, one of the rare places in which the US and China get

away from their usual human rights/MFN dialogue. Even more unusual, it includes not only China but Hong Kong and Taiwan.

But its members have wide differences of culture, economic development and democratisation, and some members, notably Malaysia, remain suspicious that the US's enthusiasm for Apec may disguise a spoiling operation designed to

George Graham on the meeting in Hawaii of 17 Asia-Pacific countries

undercut the six-member Association of South-east Asian Nations and Malaysia's idea for an East Asian Economic Caucus, excluding Apec members such as the US, Canada, Australia and New Zealand.

Malaysia, whose prime minister, Dr Mahathir Mohamad, boycotted the Seattle meeting, will participate in full at the finance ministers' meeting, with a delegation led by Mr Anwar Ibrahim, the deputy prime minister and finance minister. Dr Mahathir is also expected to attend the second Apec leaders' summit in Jakarta this autumn.

The meeting in Hawaii this weekend is expected to run through the economic prospects for the region, which continues to show the most dynamic growth in the world, but to stop well short of the sort of economic policy co-ordination attempted by the Group of Seven leading industrial nations.

Finance ministers will examine topics such as ways of facilitating external financial flows for infrastructure needs and developing capital markets in the region.

Besides the US, Apec includes Australia, Brunei, Canada, China, Hong Kong, Indonesia, Japan, South Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, the Philippines, Taiwan and Thailand. Chile is to be admitted at the meeting in Jakarta.

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NEWS: WORLD TRADE

Moves to speed up WTO negotiations

By Frances Williams in Geneva

Trade negotiators in Geneva yesterday reached broad agreement on two important procedural decisions to be taken by ministers next month in Marrakesh when they meet to sign the Uruguay Round trade liberalisation accord.

The first aims to speed up negotiations with countries which, for one reason or another, will not automatically qualify for membership of the World Trade Organisation, the powerful new world trade body that will supersede the General Agreement on Tariffs and Trade next year.

The draft decision would allow negotiations on WTO membership to start immediately after the Marrakesh meeting, without waiting

for the organisation to be established.

Countries affected fall into four categories: China and Algeria, which participated fully in the round but are still negotiating Gatt membership; some less developed nations which have not yet submitted tariff and services schedules; some Gatt members which joined too late to take a full part in the round; and countries joining Gatt after the Marrakesh signings but before the WTO comes into force, probably next January.

The second draft decision establishes a WTO preparatory committee with widely-drawn terms of reference to bridge the transition between the Marrakesh meeting and the WTO's entry into force.

The committee, open to all countries eligible to be WTO

founder members, would handle administrative, financial and procedural matters relating to the future WTO, including accessions.

It would also draft terms of reference for WTO subsidiary bodies and launch the work programme already agreed in the Uruguay Round, for instance, on some aspects of trade in services, and the links between trade and the environment.

Still to be decided, and highly controversial, is whether the preparatory committee is able to discuss other suggestions for future work by the WTO.

The US and some European countries want worker rights to go on the WTO agenda, but this is vigorously opposed by many developing nations.

House-Senate conference set to seek compromise after Republican filibuster

US technology aid bill blocked

By Nancy Dunne in Washington

Controversial US legislation to speed the development of new manufacturing technologies and an "information superhighway" looked set yesterday to be sent to a House-Senate conference for a compromise to be thrashed out.

A week-long Republican filibuster in the Senate forced Democrats to slash funding for the measure from \$2.8bn to \$1.9bn (£1.3bn).

Democratic Senator Ernest Hollings, chairman of the Senate commerce committee, said the legislation would help US companies face serious long-term global competition in technology. "It allows the government, our universities and our industries to work together in a partnership to support research for small and medium-sized manufacturers and technology firms," he said.

The legislation expands a smaller initiative approved during the Bush administration. It would also:

- raise from 7 to 14 the number of manufacturing technology centres where government and universities provide technical advice to businesses, and add a number of small centres.

- provide \$461m for the



Proponent and opponent of the measure: Senator Ernest Hollings (left) and Senator John Danforth

advanced technology programme, a scheme which provides research grants to businesses developing technologies of broad economic value.

- upgrade the government's high-performance computing and networking programme for the creation of a national information infrastructure.

- direct government agencies to work with computer companies and users to research advanced applications for education, healthcare, manufacturing and information.

- authorise a pilot programme to stimulate investment in technology companies.

Although US business groups have long sought government financing for generic technologies, many Republicans oppose such measures on the grounds that they constitute an "industrial policy" giving the power "to pick winners

and losers".

The leading opponent, Senator John Danforth, a Missouri Republican, used the filibuster to demand that the Clinton administration reopen negotiations in the Uruguay Round on a subsidies agreement pact which legitimised but also limited research and development aid.

He is proposing instead of subsidies a permanent research and development tax credit.

Congressional Democrats said privately that Republicans were trying to deny a victory to President Bill Clinton, who strongly supports such technology development programmes.

"They didn't want the money to get to the Commerce Department for use as a slush fund to buy the 1996 election," said one congressional Democrat. Particularly they do not want it to go to the energetic Mr Ron Brown, the commerce secretary and former chairman of the Democratic party, who is gaining many adherents in the business community.

While the legislation increases government aid to industry, it is still less than 2 per cent of the \$70bn the US spends on research and development. About \$40bn of that goes to the military.

Rivals link up to win ship order

By John Burton in Seoul

Mitsubishi Heavy Industries of Japan and Samsung Heavy Industries of South Korea, in a rare show of co-operation for the shipbuilding industry, have

received a joint order for six large container ships from Hong Kong's Orient Overseas Container Line.

According to Samsung, it is the first time rival shipbuilders from Japan and South Korea

have formed a consortium to bid for an order.

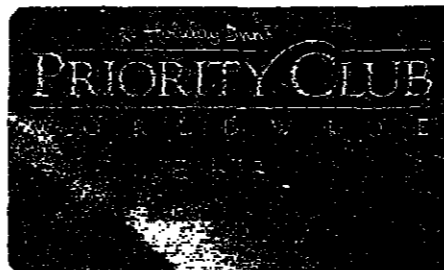
Mitsubishi will construct four of the ships and Samsung two. The vessels are for delivery in late 1995 and early 1996.

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Uproar forces Brussels switch on silk quota

By Rachel Johnson

The European Commission has demonstrated its misjudgement of the scale of European textiles trade with China by changing its quota system governing silk imports only days after it came into force.

On Monday a new European Union-wide quota of 20,000 tonnes for Chinese silk, linen and ramie was imposed, provoking an immediate uproar from importers who regarded the quota as way below their expectations.

The Commission arrived at the 20,000-tonne figure by taking the 1992 trade level of 12,000 tonnes and adding 8,000 tonnes to accommodate growth in the product and newcomers to the market.

The quota was originally to be allocated on a first-come-first-served basis. But following a meeting this week, past performance will also be taken into account when dividing up the quota.

The first 12,000 tonnes will be granted to companies that were trading in 1992; they will be given a share identical to their 1992 level of imports. The remaining 8,000 tonnes will be shared between companies that have already paid for goods not covered by quota and newcomers.

The UK Department of Trade and Industry's import licensing division yesterday began contacting all silk importing companies on its books requiring them to file by 5pm tomorrow returns certifying flows of imported textiles from China.

An official warned yesterday that if this method of administering the quota failed to meet industry's requirements, then the UK would be pressing next week for the EU to enlarge the quota.

TMI Europe, second-largest UK importer of Chinese silk after Tie Rack, said that it had doubled its turnover since 1992 and could fill the entire quota on its own.

Japan eases curbs on foreign lawyers

By William Dawkins in Tokyo

The Japanese government has finalised plans to ease restrictions on foreign lawyers' freedom to do business in Japan.

Under plans prepared by the Justice Ministry, foreign and Japanese law firms would be allowed to merge and to practise foreign and Japanese law from the same office. At present, clients have to go to separate legal offices.

However, foreign lawyers will continue to be prevented from arguing Japanese cases in Japanese courts.

The proposals are expected

to be laid before parliament early next month. The aim is that they should take effect within a year.

They are the result of longstanding pressure from the European Union and the US, keen to have access to Japan's lucrative but tightly controlled market.

The Japan Federation of Bar Associations has been understandably reluctant to expose itself to foreign competition, but it compromised with the Justice Ministry after Mr Morihiro Hosokawa, the prime minister, seized on the plans as part of his deregulation drive.

Iran scraps visas for free zones

Iran has scrapped visa requirements for foreigners visiting its free-trade zones, according to a senior official. Reuters reports from Tehran.

Mr Morteza Alviri, head of the high council of free zones, said that under newly-approved regulations foreigners could stay in the three zones without visas for up to two weeks.

They would need police permission to stay longer or to travel to the rest of the country, Mr Alviri added. His comments were reported by Hamshahri newspaper.

The zones - Kish island in the Gulf, Qeshm island in the Hormuz Strait and Chahbahar on the Gulf of Oman - were set up in 1988 to promote foreign investment, export-oriented industries and trade.

Critics in parliament opposed easing of entry regulations for the zones, saying it would create security problems along the country's main sea routes.

Guyana ends investment tax breaks

By Canute James in Kingston

Guyana has abolished tax holidays for foreign investors, creating what Mr Asgar Ally, finance minister, says will be "a level playing field for all investors".

Local business has been complaining of being put at a disadvantage to foreign investors who have enjoyed grace periods and exemptions from a range of taxes and duties.

"Existing tax holidays will be allowed to expire," said Mr Ally. "We have not been granting special holidays to anyone for more than a year."

The Guyana government has been seeking foreign investors to expand the economy which is based on gold and bauxite mining and sugar and rice production. Several have invested in power generation, telecommunications and mining over the past four years as the government has been selling off a number of state-owned enterprises.

THE PROPERTY MARKET

Market slow to buy retail stock

The revival in property share prices promised to make this spring a golden opportunity for property companies to join the stock market. But this week's placing and open offer by Capital Shopping Centres, a £830m retail company, met with a lukewarm response.

CSC is the retail property arm of TransAtlantic, the insurance and property group. Its sponsor, Robert Fleming, has succeeded in placing 65 per cent of the £300m-worth of shares on offer with institutions, the remainder being on offer to the public until March 23. However, few analysts expect the shares to provide quick profits.

The problem is not that the company lacks attractions. It will be the sixth largest property company on the market and, as the owner of seven of the UK's most prominent shopping centres, it is the market's only large retail sector specialist.

Moreover, its high quality assets, low level of borrowings and good rental growth prospects should ensure a steady rise in its income. Mr David Tunstall of Smith New Court, brokers, says it has "the best dividend growth prospects of any company in the sector".

One reason why the company has not caught the market's imagination is that this is not the first time shareholders have been offered minority shares in TransAtlantic's property interests. CSC is composed

of the retail property interests of Capital & Counties, a long-established property group, which was listed on the stock exchange until 1992 when TransAtlantic acquired its minority interests.

But the main reason is the offer is perceived to be too expensive. The shares have been priced at a 13 per cent premium to net asset value, which looks expensive compared with the rest of the sector.

Mr Chris Turner of BZW believes that the company's lack of gearing will hold back growth in its net asset value. Even a 25 per cent rise in property values over the next two years might be insufficient to stimulate a rise in share price - if property shares return to being valued at a substantial discount to asset values.

These criticisms rile Mr Donald Gordon, the company's chairman. "They don't realise it is a situation with tremendous upwards potential."

Mr Gordon contends that the company's valuers have underestimated the true worth of the company's assets.

According to the prospectus, the directors "do not believe that... this value properly reflects the long-term investment worth of the regional shopping centres in the London area".

Their argument carries a certain weight, as shopping centres have tended to perform relatively well



Gordon: true worth underestimated

compared with competitors in the high street.

But investors are concerned about a possible competitive threat to CSC's flagship centre, a 1.32m sq ft shopping centre at Thurrock, which accounts for about half its total assets. Blue Circle, the cement company, has drawn up plans for a rival shopping centre, Bluewater Park, at Dartford in Kent. Analysts estimate that the close proximity of the rival centre could take 20 per cent of Thurrock's shoppers.

Mr Gordon is sanguine about the rival scheme. "I personally would welcome some competition," he says. "We have a vast educational problem in re-educating the shopping public that shopping is a joy to do instead of being a chore."

Vanessa Houlder

Perplexing new phase

Vanessa Houlder on the impact of converging gilt and property yields

The property investment market is approaching a watershed. The gap between gilt yields and property yields is starting to close.

The reason is twofold: the sharp fall in gilt values over the past six weeks, in which 20-year gilt yields have risen by one percentage point to 7.4 per cent, and the rapid surge in property values over the past nine months.

Property yields are still being driven downwards by the weight of money being directed towards the sector.

Average property yields, which stood at 9.2 per cent in February 1993, are likely to fall to below 7.5 per cent at some point over the next month, according to Mr Greg Nicholson of Hillier Parker, chartered surveyors.

This presents a conundrum for property investors. Investors have tended to view high-yielding properties with secure, long-term income streams as a substitute to investing in bonds.

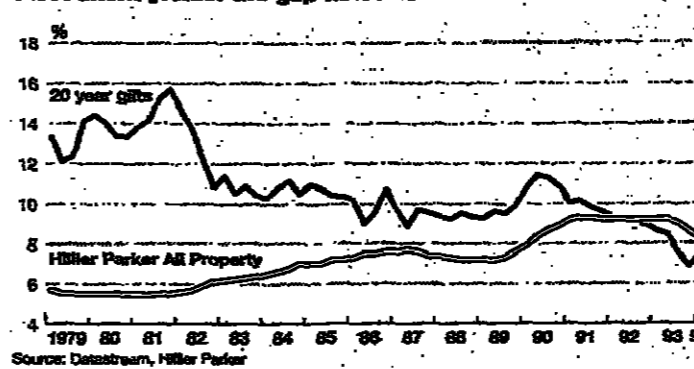
As a result, much of the driving force for last year's drop in property yields was the decline in bond yields.

The close relationship displayed by bond and property yields last year suggests that property yields could be dragged up by the current rise in bond yields.

But this seems unlikely.

Most analysts believe that property yields will sink beneath

Investment yields: the gap narrows



gilt yields, as investor confidence increases about the prospects for growth in property rents.

This scenario, after all, would

The erosion of the gap between gilt and property yields may dampen investor enthusiasm

merely be a return to the traditional relationship between gilt and property yields.

Many property owners believe that property values have nothing to lose from an increase in inflation. An inflation-induced rise in rental values would be expected to

compensate for the impact of the likely rise in gilt yields.

Nonetheless, the erosion of the gap between gilt and property yields may dampen investor enthusiasm. Some investment decisions have been based on demanding projections for rental growth.

Yet, so far, there is little sign of rental increases in even the best property - although some of the incentives such as rent-free periods offered to tenants are beginning to diminish.

If the closing of the yield gap causes investors to believe that property is self-evidently cheap, some of the froth may be taken off the top of the market.

At present, there is still a

scramble to buy property. The result is that values are being chased upwards - in many cases well above the asking price.

"It is a bit like being in a casino. Quoting terms bear no relation to the ultimate sale price," says Mr Nicholson.

If some of the heat is taken off the market, investors who have seen large capital uplifts over the past 18 months, may be willing to sell up and take profits.

If this happens, a reduction in the shortage of property, which has helped drive up prices, will enable a much greater equilibrium in the market.

The properties which are most vulnerable to a cooling of the market are high yielding buildings where tenants are locked into paying well above market rents for long leases.

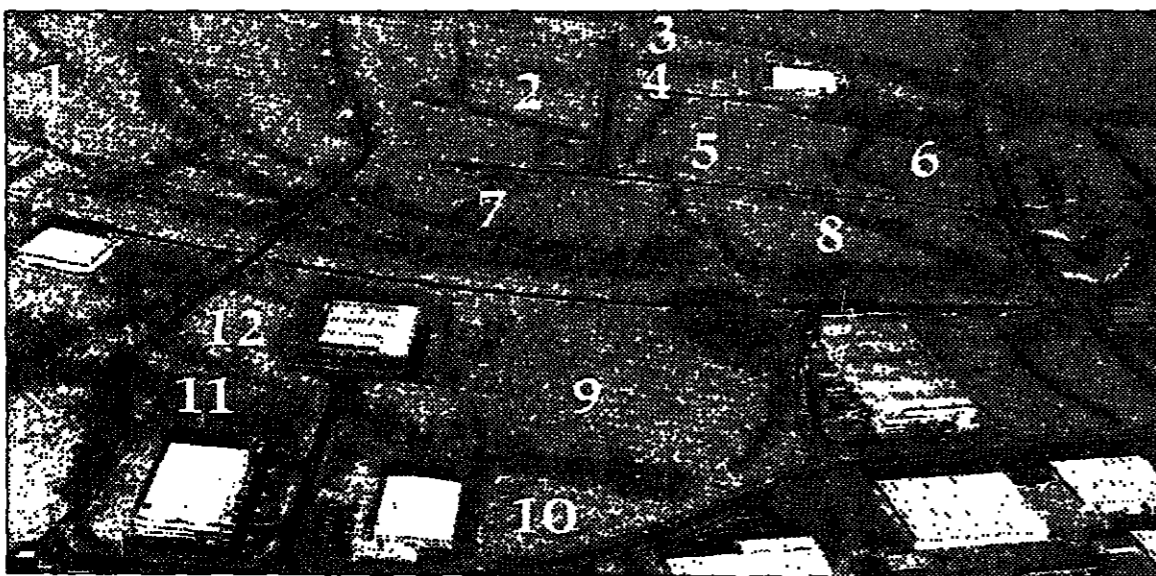
As investors have become more concerned about prospects for rental growth, there has been a lessening of interest in these over-rented properties.

Moreover, since many investors viewed the high, secure income streams offered by these properties as substitutes for bonds, they are likely to be more sensitive than on average to increases in bond yields.

But for most types of property, the likelihood is that any further rises in the bond yields, if modest, will slow the property price rises rather than put them into reverse.

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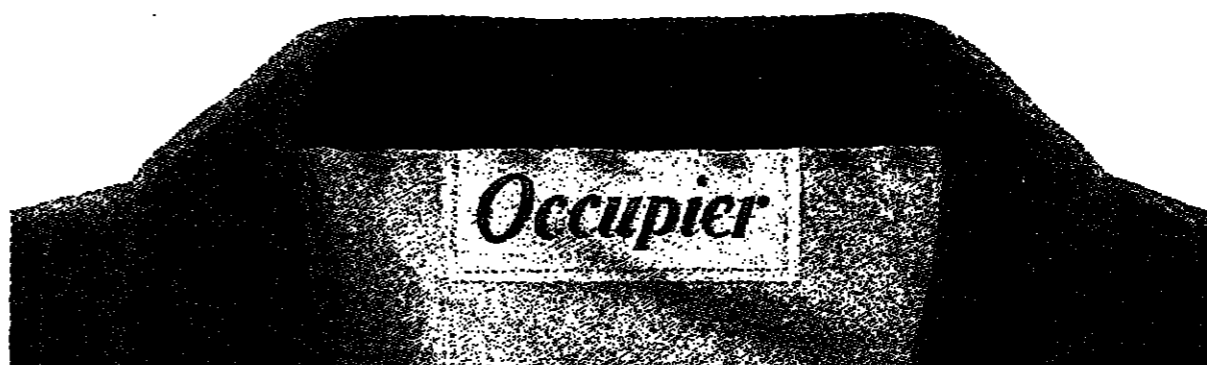
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MANAGEMENT

Hewlett-Packard is in good shape but its chief executive is fighting complacency. Louise Kehoe reports

Change while you are ahead

Compared with his peers in the computer industry, Lew Platt seems to have a soft number. When he became chief executive of Hewlett-Packard in October 1992, the US company's revenues and operating earnings were growing strongly, while other large computer companies were suffering heavy losses.

Yet Platt is not taking life easy. "One of the tremendous advantages that I've had is that HP was in fundamentally good shape when I took on this job," he says, "but we can't let ourselves become complacent." The fear of being lulled into a false sense of security by HP's current success is almost an obsession for Platt. "People ask: 'What do you think about when you're in the shower or shaving?' Well, I think about how easy it is to just keep doing what you are doing today for a little bit too long."

General Motors, Sears, International Business Machines were the greatest companies in their industries, the best of the best in the world. These companies did not make gigantic mistakes. They were not led by stupid, inept people. The only real mistake they made was to keep

doing whatever it was that had made them successful for a little too long.

Resistance to change is the root cause of the demise of industry-leading companies, Platt believes. "The real secret is to build an organisation that isn't afraid to make changes while it is still successful, before change becomes imperative for survival."

For HP, however, there is a strong temptation not to "rock the boat". It recently overtook Digital Equipment to become

the second largest US computer company in terms of revenues. It is now the world market leader in "open systems" minicomputers, computer printers, and test and measurement equipment. It ranks second in the market for computer workstations and eighth in personal computers.

But getting there was not easy. HP went through a rough patch in the late 1980s and 1990 as it cut back its workforce, reduced bureaucracy and reorganised its operations several

times in search of an efficient structure.

With hindsight, it seems that HP was ahead of its competitors in making difficult adjustments to fundamental changes in the computer market. It "anticipated well necessary changes in technology," says John Jones of Salomon Brothers, the US broking house.

HP was in the forefront of the shift from proprietary computers to "open systems" based on industry standards. The

company was the first to implement Reduced Instruction Set Computing (Risc) technology in mid-range and mainframe computer systems, providing high performance at lower costs.

HP has also been faster to come to terms with an industry-wide decline in gross profit margins as computer prices fell. Over the past five years, its operating expenses have declined from more than 40 per cent of revenues in 1983 to 28 per cent in the first fiscal quarter of 1994 (which ended on January 31).

Achieving a "leadership cost structure" in each of its businesses is a top goal. "Each business has to stand on its own, be profitable and finance its own growth," says Bob Wayman, chief financial officer. "You make investments and take your losses for a period, but then you have to test the viability of a business by its profitability."

One of HP's core strengths may be that it is founded and run by engineers who enjoy inventing products. In contrast to its largest competitors, HP brings new technology to market - even at the risk of cannibalising sales of its existing products - to maintain competitive advantage.

"Withholding technology or the next price cut may seem like a good way to maximise profit margins, but it's a deadly game," says Platt.

Under Platt's leadership "HP" now also stands for what he calls "healthy paranoia". Managers are urged to be "always looking over your shoulder at the competition, always thinking about the next move."

In HP's prize printer division, this is practised almost to a fault. "We sometimes tend not to celebrate our successes as much as we should," says Rick Belluzo, head of HP's Computer Products Organisation, which includes printers and personal computers. The risk is that by focusing too much on competition, HP could lose sight of what customers really want.

If success has not created a more relaxed environment at HP, it does at least allow top managers to concentrate on long-term market and technology trends. Platt has initiated a drive to create products and businesses that take advantage of the company's unusual combination of technology expertise in measurement, computing and communications (MCC) - or "MC squared" as he calls it.

Last year, he created an MCC council, composed of top technical and marketing staff from throughout the company, to identify potential new "multi-disciplinary" products. "We're hunting for big game," says Joel Birnbaum, head of HP's research laboratories.



Lew Platt: "Whatever made us successful today won't be good in 1996"

To make the most of its different technology groups, Platt is encouraging "cross-organisational collaboration". The booming telecommunications market, for example, is addressed by a marketing team drawn from both the computer systems organisation and the test and measurement business. Similarly, in sales and product development, geographic and business organisation boundaries are being breached.

Platt admits he is unsure whether HP will have to create divisions to formalise these "virtual organisations" at some point. For the moment, however, he seems to be resisting the inevitable upheaval of a reorganisation. In his 23-year career at HP, he has seen too many.

That does not mean that he is not shaking up HP. "Whatever we're doing that made us successful today won't be good in 1996, I can guarantee that," he tells his staff. "It might work in 1994. Maybe it'll even work in 1995, but it will kill you by 1996."

When less could mean more

Christopher Lorenz on a shake-up in the funding of UK design

The maxim that "less is more" has always provoked controversy among designers.

It was coined early this century by the fathers of the modern movement to convey the principle - often challenged since - that the best design is always lean.

As from this week, designers in Britain, and their corporate clients, are being asked to accept the maxim in a different sense: that annual government design grants totalling \$5m will actually be more effective than the \$7.5m given for the last few years.

The cut is being accompanied by a shake-up in the way the government promotes design in industry.

The workforce of the government-funded Design Council, which provides design services direct to industry, is being cut to about 50 people, less than a quarter of its present size.

Its provision of consultancy and other services is being transferred to the Department of Trade and Industry's nascent network of multipurpose business service centres, known as Business Link. The Design Council will become a research, education and campaigning organisation.

When the government first outlined these moves six months ago, it seemed that less would mean less.

At that stage, the DTI wanted to cut the Design Council's annual grant to about \$3m from \$7.5m. It also planned to give no extra funds to Business Link, in spite of the expansion of its remit to include the council's previous services to industry.

Then Michael Heseltine, trade and industry secretary - who was ill at the time of last autumn's announcement - decided that if Business Link were to take on the extra services, it needed more resources. Hence this week's decision to commit an extra \$2m a year to Business Link over the next three years, taking its 1994-95 budget from \$17m to \$19m. Together with the provision of an extra annual \$1m to the "new" Design Council, this mitigates the cut in the government's overall spending on design support to 20 per cent.

Within the new total, the "less is more" principle will apply: only about \$1.5m a year will be spent on Design Council fixed costs and overheads, compared with more than \$5m in the current year, leaving more funding for design research and promotion.

Behind Heseltine's intervention, it is understood, lies his recognition that in increasingly tough international markets, high quality and good service are becoming mere qualifications for competing; they differentiate one product from another far less than they did as recently as the late 1980s.

As a result, design is becoming a much more important "differentiator" in all sorts of industries.

One example of this is the remarkable success of the Rover 600 series of cars in Britain, and, increasingly, other parts of Europe.

The model is identical to its sister car, the Honda Accord, except in its interior and exterior design cosmetics, yet these give it a very different character. This has helped it to outsell the Accord in the UK. The Rover 600 is one of six products to win the Design Council's annual transport awards, announced yesterday.

A string of examples where industrial design has had a far-reaching impact on successful products went on show last week at London's Design Museum*. All the products - except for the Rover - are made by Japanese companies, but with considerable input by British designers.

Exhibits include NEC's UltraLite Versa Notebook Computer which has more than quadrupled the Japanese company's share of the booming US notebook market from 2.5 per cent since its launch a year ago. NEC attributes much of the product's success to its modular design, on which the company has received considerable assistance from IDEO, an Anglo-American design consultancy.

*Designed in one - made in the other: new products of collaboration between Britain and Japan.



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INTERNATIONAL COMPANIES AND FINANCE

Hoogovens improves but still Fl 234m in the red

By Ronald van de Krol in IJmuiden

Hoogovens, the Dutch steel and aluminium company, narrowed its losses in 1993, with the steel division turning in a small profit but aluminium activities falling further into the red.

The company's net loss was more than halved to Fl 234m (\$123m) from Fl 555m in 1992, when the figures were heavily influenced by restructuring provisions of Fl 370m. The 1993 figures included slightly more than Fl 60m in extraordinary charges.

Hoogovens, which raised more than Fl 360m in a rights issue in late 1993, said yesterday that it would again omit its dividend to shareholders. It also announced plans for a convertible subordinated bond issue of at least Fl 275m.

Group turnover fell to Fl 17.22bn from Fl 17.72bn in 1992, reflecting an erosion in selling prices for both steel and aluminium. This external price decline offset part of Hoogovens' internal achievement in getting its costs down by Fl 450m last year. Since 1991, Hoogovens has achieved internal cost savings of Fl 900m.

Despite lower demand for steel in Europe and the fall in general prices, Hoogovens' steel division managed to post a pre-tax operating profit of Fl 5m, a strong reversal of the

previous year's loss of Fl 234m. This was achieved partly through a boost in exports to non-European markets such as China and the US.

However, pre-tax operating losses in aluminium widened to Fl 265m from Fl 162m. Aluminium prices have been hit by surplus stocks worldwide, exacerbated by the stream of cheaper aluminium from the former Soviet Union.

For 1994, Hoogovens is forecasting that it will make a modest profit before extraordinary items. The recovery in steel is expected to continue, while aluminium will see some improvement, though this division is projected to remain loss-making.

Crédit du Nord losses rise sharply

By John Ridding in Paris

Crédit du Nord, the retail banking arm of the Paribas financial group, yesterday announced a sharp increase in net losses to FF610.9m (\$106m) for last year from FF253.4m in 1992.

Mr Bernard Anberger, chairman, said the bank was aiming to break even this year but warned that the property market remained difficult.

Increased provisions of FF1.8bn, up from FF1.6bn in 1992, reflected the weak state of the real estate market and largely accounted for the rise in losses.

Crédit du Nord said that its target of breakeven for this year, with profits in 1995 and 1996, required an increase in its capital base.

Paribas, its parent company, said it would inject FF618m of new capital and subscribe, at market rates, to a FF1.5bn subordinated convertible bond issue.

Upturn at Legal & General

By Alison Smith in London

Legal & General, the UK life and general insurer, yesterday announced a 56 per cent rise in 1993 pre-tax profits to £181m (\$270m) for 1993.

UK life and pensions profits increased by 9.8 per cent to £119.6m and results were also helped by a recovery in general UK insurance.

The main factor in the rise in UK premium income from £1.6bn to £1.9bn was single premium business, in particular sales of L&G's unitised with-profits bonds.

UK general insurance made a profit of £39.5m, compared with a loss of £46.7m. Mr David Prosser, chief executive, said that L&G no longer had to make mortgage indemnity provisions, as it did in 1992.

The group's overseas general insurance operation was sharply cut as L&G withdrew from 20 of its 21 agencies.

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Recovery heralded at MoDo

By Christopher Brown-Humes in Stockholm

A long-awaited upturn in the forestry cycle was signalled yesterday by MoDo, one of Sweden's leading forestry groups, when it announced a sharply reduced loss for 1993 and predicted a strong return to the black this year.

Mr Bert Lof, chief executive, said: "The upturn in the market which we clearly saw in the last quarter of 1993 is gaining momentum. The balance between supply and demand is improving."

He noted that prices for pulp and fine paper had already risen strongly this year and predicted increases for other products.

MoDo said the price rises and its own competitive position should enable it to produce a profit of more than SKr1bn (\$127m) in 1994.

Like other Swedish forestry groups, its position has been improved by cost-cutting, lower interest rates and the weaker krona. It expects capacity utilisation at its units to rise to 90 per cent this year, from 85 per cent in 1993.

Last year, the group cut losses after financial items to SKr449m from SKr1.51bn, with the deficit in the fourth quarter amounting to only SKr23m, against SKr824m in the same 1992 period.

The group said higher volumes, increased productivity and a near SKr2bn reduction in costs since 1990 had helped to compensate for the fall in market prices during the year.

Sales expanded to SKr17.1bn from SKr15.7bn. There was an operating profit of SKr687m, compared with a SKr407m deficit in 1992.

MoDo felt the full effects of rationalisation and the weaker krona in its Swedish units, where operating profits reached SKr1.3bn after a SKr182m loss in 1992.

However, a deeper operating loss of SKr522m at its French unit, proved a drag on the result, as did the higher costs of servicing foreign debt.

The French operations were negatively affected by the strong franc and low market prices.

The group is not proposing a dividend for the second year running.

Ahold overcomes US downturn

By Ronald van de Krol

Ahold, the Dutch food retailer which has built up a large presence in the eastern US, posted a 12.5 per cent increase in 1993 net profit, with improved results in the Netherlands and acquisitions in Portugal compensating for a slight fall in earnings in the US.

Net profit rose to Fl 343.1m (\$130.6m) from Fl 305m in 1992. The company, which is preparing to take over its sixth US supermarket chain, said operating profits in the US should show clear improvement in 1994, and forecast an increase in full-year net earnings for the group as a whole.

Ahold is to increase its dual-currency dividend to Fl 0.62 and \$0.23 per share, from Fl 0.57 and \$0.22 in 1992.

Turnover in 1993 jumped by 25.5 per cent to Fl 27.1bn, of which about four-fifths was due to the first-time consolidation of Schuitema, Ahold's majority-owned Dutch wholesaler, as well as to acquisitions of supermarkets and hypermarkets in Portugal.

At home in the Netherlands, operating profit soared by 32.6 per cent to Fl 295.7m, with around two-thirds of the rise due to acquisitions. Ahold's Dutch supermarket chain, Albert Heijn, is the country's

leading food retailer with a 26.9 per cent share of the domestic market, up from 26.6 per cent in 1992.

In the US, improved results were reported by three of the group's chains - BLO, Giant Food Stores and Tops - but its two others, Edwards and Finast, posted "disappointing" results. Overall, US operating profit slipped to \$161.9m from \$169m.

In February Ahold signed a letter of intent on the acquisition of Red Food Stores, a Tennessee-based supermarket chain with annual sales of \$680m.

It expects to conclude the transaction by late April.

Competition hits United Biscuits

By Tony Jackson in London

United Biscuits, the UK biscuits and snack manufacturer, showed the scars of competition on both sides of the Atlantic yesterday with sweeping restructuring charges totalling £121m (\$180m).

The company said that its US subsidiary, Keebler, will undergo radical changes in distribution and manufacture. In Europe there will be 500 job losses, three-quarters of them in the UK.

The charges helped pull UB's

pre-tax profit down to £116.7m for the year, a fall of 28 per cent. Underlying profit was also lower at its all-important UK biscuit and snacks businesses.

Mr Eric Nicoli, chief executive, said this was due less to competition than to rises in raw material prices, partly caused by sterling's devaluation, which the group was unable to pass on at a time of low inflation.

In the US, restructuring costs will total \$92.5m, of which £11.2m had already been

announced for the closure of a snack factory at Raleigh, North Carolina.

Keebler, which has only 4 per cent of the US baked snack market, is to withdraw from 25 per cent of the US geographically.

UB said it lost money on \$250m of snack sales last year, and had made no profit in snacks since attacking the market five years ago.

The dividend was held unchanged at 15.5p for the year.

Lex Page 20; Details Page 25

Norwegian insurer well ahead

By Karen Fosell in Oslo

Vital Forsikring, one of Norway's top three insurers, has reported a sharp rise in 1993 operating profit, helped by a substantial increase in financial income and lower interest rates, which pushed up the value of its securities portfolio.

Operating profit jumped to NKr3.52bn (\$455m) from NKr2.84bn as premiums increased to NKr3.31bn from NKr2.8bn. Gross financial income nearly doubled in 1993 to NKr5.14bn from NKr2.63bn.

Vital has proposed lifting the 1993 dividend by NKr1 to NKr5.75. Group operating expenses rose to NKr570m from NKr548m but costs, as a percentage of premiums, fell

by 2.4 percentage points to 17.2 per cent.

The company said that since 1990 its cost ratio has declined by 34 per cent as a result of increased premium volume and it aims to cut the ratio to 13 per cent by 1997.

Vital said that premiums from group pension policies increased by 31.5 per cent, while premiums for individual annuity and pension insurance were 0.1 per cent lower. Group life premiums were 4.9 per cent up on 1992, while individual life insurance premiums increased by 8.9 per cent.

According to the Norwegian Insurance Association, Vital increased overall market share to 21.1 per cent in 1993 from 17.8 per cent in 1992.

The value of shareholdings and other investments rose to NKr4.31bn in 1993 from NKr3.45bn while bonds increased to NKr19.33bn from NKr13.81bn.

Separately, the group said it was finalising negotiations to acquire a large property in central Oslo, comprising 75,000 square metres, from Sweden's Skanska group for NKr1.3bn.

Vital said the pending deal was one of the largest property transactions ever carried out in Norway.

The group's real estate portfolio comprises a gross area of an estimated 270,000 square metres and a book value of more than NKr1.5bn. In 1993, real estate activities provided a rate of return of 8 per cent.

Lufthansa beats target with reduction in deficit

By David Waller in Frankfurt

Lufthansa, the German airline set for privatisation later this year, performed better than expected in 1993. The parent company returned a pre-tax loss of DM50m (\$30m) compared with DM297m in the previous year. This reduction in losses was better than the target of halved losses, the airline said yesterday.

The improved results reflected a boost in sales combined with reduced costs. The number of passengers carried rose by 3.8 per cent and the volume of freight by 5.4 per cent.

This helped offset falling

prices and turnover remained flat at the 1992 level of DM15bn.

Total operating costs dropped by DM500m during the year, 3 per cent of the total. This was mainly due to staff cuts: the number of employees fell by 4,000 during the year, saving DM300m.

Lufthansa has already said that it aims to break even at the group level in the current year after losses of less than DM500m in 1993.

The government is likely to reduce its 51 per cent stake this year by not taking up its entitlement to new shares in a large rights issue planned by the airline.

Fund income boosts Swiss lift group

By Ian Rodger in Zurich

Schindler, the world's second largest elevator and escalator group after Otis of the US, has reported a 52.3 per cent jump in consolidated net profit for 1993 to SF168.6m (\$117.6m), thanks entirely to earnings from liquid funds.

The Lucerne-based group said revenues were flat at SF4.5bn and trading profits were near 1992 levels in spite of the difficult economic environment and negative foreign currency effects. New orders were up 5 per cent to SF4.4bn but orders on hand slid 6.7 per cent to SF2.67bn.

Advance by Celsius Industries

By Christopher Brown-Humes

Celsius Industries, the newly-privatised Swedish defence contractor, yesterday announced a SKr721m (\$92m) profit after financial items for 1993, up 32 per cent from a year earlier.

The group, which accounts for around 50 per cent of the Swedish defence industry, benefited from rationalisation, its purchase of CelsiusTech and a strong contribution from Safe Partners, the accommodation rig company in which it holds 40 per cent.

A dividend of SKr6.50 per share is proposed.

The operating result improved by SKr322m to SKr348m as sales grew to SKr11.6bn from SKr10.5bn. Lower interest rates meant the group's financial income dropped to SKr373m from SKr518m.

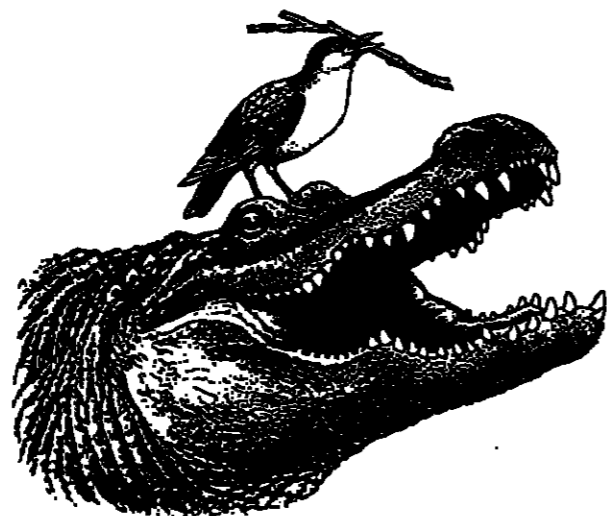
Orders rose by SKr4.5bn to SKr11.6bn during the year to take the group's order book at the year-end to SKr25.5bn.

CelsiusTech, which was bought from Nobel Industries early last year, made a first time contribution of SKr135m. Kockums, the submarine unit, saw a slight weakening of its result to SKr209m from SKr221m.

Most disappointing was the performance of Bofors, the weapons systems division, where profits halved to SKr112m from SKr220m. The unit was hit by lower sales and redundancy costs.

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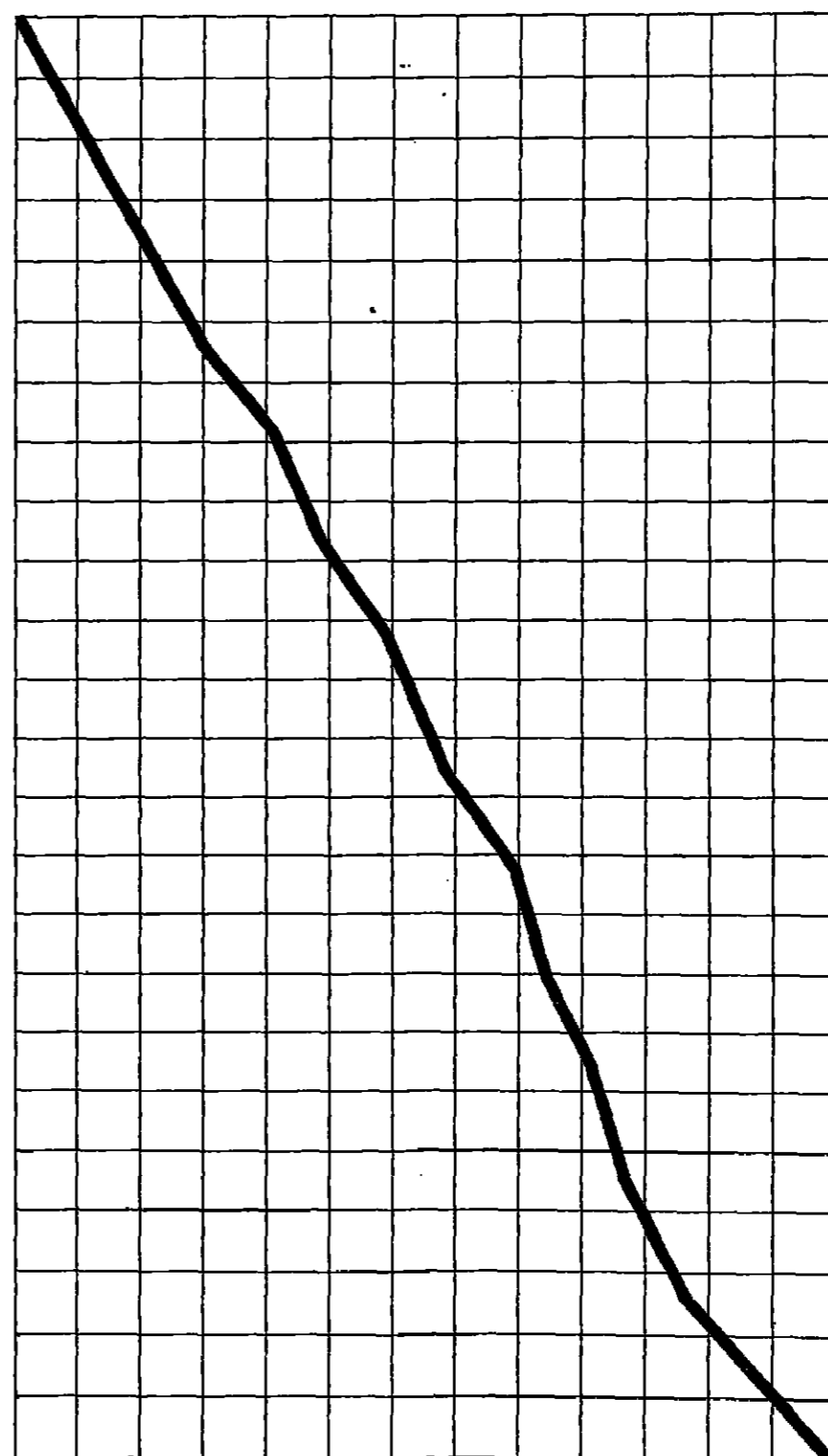
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INTERNATIONAL COMPANIES AND FINANCE

German bank gets bonus from Luxembourg arm

By David Waller, recently in Luxembourg

Deutsche Bank Luxembourg, the largest bank in the Grand Duchy, is paying its German parent bank a special dividend of DM174m (\$105m) on top of a normal dividend of DM124m after making record profits last year.

Pre-tax profits at the Luxembourg arm of Germany's biggest bank rose by 44.4 per cent from DM440m to DM636m. The increase reflected what Mr Ulrich Weiss, chairman of the bank's advisory board, called an extraordinary constellation of favourable factors.

Profits from private customer business more than quadrupled, Mr Weiss explained at a press conference earlier this week, while the bank benefited from buoyant trading conditions in the world securities markets last year.

In addition, Deutsche Bank

Luxembourg profited from the sale of Third World debt at higher prices than its written-down value. This gave rise to a profit of DM208m, which Mr Weiss said would have been treated as an extraordinary gain in the previous year. Profits from mainstream lending business rose 12 per cent.

The profits contribution from private customer business was not quantified, but Mr Weiss said that the number of customers increased by 28 per cent last year, with a 56 per cent increase in special deposit accounts for securities. The volume of funds under management in these accounts doubled to DM5.5bn.

The spectacular increase in profits highlights a massive transfer of funds from Germany to Luxembourg in recent years, triggered largely by the perceived tax benefits of investing in the Grand Duchy. The first catalyst to the flow

of funds to Luxembourg came at the end of 1991 when the Federal Constitutional Court in Karlsruhe ruled that interest income should be subject to a withholding tax.

A 30 per cent withholding tax was introduced at the beginning of last year, prompting further transfers of capital, but the capital flows have partially reversed more recently in anticipation of a modification to the tax regime.

This flow of funds back into Germany - DM25bn in the last quarter of 1993 - is one of the main reasons for the 20 per cent-plus increase in German M3 money supply in January. Although investing in Luxembourg is not illegal for German citizens, the German tax authorities last month launched a raid on Dresdner Bank, Germany's second-biggest bank, claiming that the bank was actively helping its customers evade tax.

Earnings ahead to \$66m at Minorco

By David Blackwell

Minorco, the offshore investment arm of South Africa's Anglo American group, lifted operating earnings to \$66.6m from \$57.7m in the six months ended December. Turnover increased to \$1.2bn from \$1.17bn.

The Luxembourg-listed group last November completed a \$1.43bn asset swap with Anglo, which owns 46 per cent of the shares. It took control of Anglo's non-diamond interests outside South Africa.

The group, which has restated figures for the 1992 half to reflect the asset swap, said that for the first time operating profits were its main source of earnings. "This completes the transformation from a holding company to an operating natural resources group," said Mr Hank Slack, president and chief executive. Significantly lower financial income helped to reduce earnings before extraordinary items to \$105.9m from \$117.8m. But extraordinary gains of \$57.7m, mainly from profits on the sale of its stake in Charter Consolidated and Zambian Copper Investments, left net earnings at \$164m, against \$133m. The interim dividend is 19 cents.

The group is proposing to change its financial year-end to a calendar year to bring it into line with North and South American practice. It will pay a final dividend for the year to June, followed by a second final for the 18 months ending December this year.

Minorco now operates four divisions - gold, base metals, industrial minerals, and pulp and paper. Gold production improved by 5 per cent to 331,500 ounces at an average price of \$380 an ounce, up from \$353. Copper production rose to 51,400 tonnes from 46,300 tonnes, with an average price 13 per cent down at 92 cents a pound.

The group invested \$270m in existing and new businesses in the half. At the end of December net cash stood at \$842m, compared with \$1.04bn last time.

Qantas in the black at half-time

By Nikki Tait in Sydney

Sharply reduced interest charges and higher passenger volumes have allowed Qantas, the state-owned Australian airline in which British Airways holds a 26 per cent interest, to announce an after-tax profit of \$71.6m (\$55.1m) for the six months ended December.

This compares with a \$386.5m loss in the same period of the previous year, but the 1992-93 figure was struck after \$433.2m of abnormal items, primarily write-offs and restructuring expenses arising from the merger of Qantas, tra-

ditionally Australia's international carrier, with Australian Airlines, the large domestic airline. There were no abnormal items in the latest set of figures.

Qantas said yesterday that operating profit, before tax and abnormal items, rose from \$33.3m to \$100.5m, with total operating revenues standing at \$3.46bn, against \$3.14bn.

Even this comparison, however, was muddled because Australian Airlines included for only four months in 1992, compared with the full six months last time. If Australian had been included for the full six

months in 1992, Qantas estimated that the most recent figures would have shown a 10.3 per cent rise in revenues and an increase in operating profits from \$27.6m to the \$100.5m figure.

Qantas described the results as "credible," but admitted that operating yields had fallen on both domestic and international operations, hitting profitability. Staff-related costs increased "significantly", while fuel costs rose in line with the increase in available seat kilometres - up 8.7 per cent on international routes and 11.1 per cent on domestic.

Net interest costs, by contrast, fell very significantly, to \$53.3m from \$122.3m. This follows the recapitalisation of the group and the injection of the British Airways investment in February 1993.

Mr Gary Pemberton, Qantas chairman, warned yesterday that the seasonal downturn in traffic during the current six months would mean that the second-half results are weaker than those just reported. "I would expect something less than the first-half result in the current period," he said.

Political anchors on Qantas float

No date has been set for the airline's sell-off, reports Nikki Tait

A big political question mark overshadows the latest results from Qantas. Will the airline be floated this autumn? Or will it come to the stock market in mid or even late 1994, a full two years later than the Australian government originally planned?

Mr Gary Pemberton, Qantas chairman for the past year, says the decision must be made in the current financial year to allow for all the administrative work involved in the "early" privatisation option.

And he is blunt about Canberra's options: "It's going to be judgment call for them, and not an easy one. They've got, in many ways, conflicting considerations. One is the state of the share market, which at the moment is strong - that would argue for going earlier."

"On the other hand, Qantas has been subject to very significant changes - the merger with Australian, and in its management. The business is improving, and we're making progress. So from that point of view, you'd be persuaded to give it more time."

This is Mr Pemberton playing diplomat. Pushed a little further, he admits that a management wants to wait - a view also expressed by British Airways' chairman, Sir Colin Marshall - and cites two simple reasons.

First, there is Qantas' profitability - or lack of it. "We've set ourselves a [profits] target of over \$400m (US\$285m).

That's what we've set as the right return on shareholders' funds," he says. "We never quite meant it as a precondition to privatisation. What we were really conveying is that any discretionary shareholders will be looking for that sort of return. The yardstick has to be a normal commercial yardstick."

"From a management perspective, we'd like to have the time. It's easy to overlook the fact that privatisation, and all the due diligence, is a horrendous process for management"

stick, not what people might be satisfied with because the airline industry's going through a tough time."

Secondly, there is enormous internal upheaval which currently suffuses Qantas, as it tries to blend long-standing international operations with Australian's domestic network and undertake an extensive executive overhaul. "From a management perspective, we'd like to have the time. It's easy to overlook the fact that privatisation, and all the due diligence, is a horrendous process for management."

Yesterday's results will almost certainly add ballast to the Qantas/BA point of view. Net profits of \$71.7m, coupled with Mr Pemberton's prediction that the second half will be "something less," suggest that Qantas will miss its

\$400m target by a very large margin in 1993-94.

Moreover, much of the latest improvement seems to come from lower interest charges - the product of a recapitalisation which accompanied BA's \$865m investment last year. Adjusting to reflect a full six-month contribution from Aus-

management still feels the carrier needs to make.

"I think there's a very big issue about the quality of our revenues - the markets we're in, the routes that we're flying. There's a lot of room for improvement," says Mr James Strong, who took over as managing director last autumn.

Then there is the labour situation. "I don't believe the company has got anywhere near the productivity trade-offs that we should have got in terms of the enterprise bargaining agreements that were entered into," he continues.

Even in those areas where optimists might envisage short-term progress, the carrier takes a very cautious line. Qantas, for example, said that its American routes continued to make losses in the first half - in contrast to Japan, the Orient, New Zealand and the UK. But the Pacific market has seen two major US players - Continental and Northwest Airlines - retreat during recent months. Fares have jumped significantly.

But Mr Strong refuses to be bullish. "There's a tendency to say, they've gone, terrific, everyone's going to make money in the Pacific. But there really are tremendous time-lags. It's been a sea of red ink for a long, long time and it's not suddenly going to be awash with US greenbacks." In short, Qantas has made its case for a late float. Over to Canberra.

Email buys out US group

By Nikki Tait

Email, the Australian domestic appliance manufacturer and distributor, said yesterday that it was buying the joint venture which it owns with Westinghouse, the troubled US group, for around \$465m (US\$345m).

The Email-Westinghouse venture was set up in 1985, and has annual sales of around \$512m.

Its operations span a number of areas, including switchgear, metering equipment, air handling and printed circuit board

products. Its main manufacturing sites are in Sydney, Melbourne, Brisbane and Manila.

Email said that all the businesses are currently profitable and it expects the deal to enhance earnings per share. As part of the deal, the 11.1m shares in Email owned by the joint venture will be sold via Potter Warburg, the Australian broker.

Due to this associated share sale, Email took the opportunity yesterday to make a profits forecast for the year ending

this month. It said trading had been better than anticipated, and that "this provides confidence that last year's reported profit of \$860.1m will be exceeded by not less than 40 per cent".

MRMA, the Australian insurance group, said yesterday that it will decide whether to float on the Australian stock market in August.

If it goes ahead, policyholders will be asked to vote on the plan in October, and the listing could take place in November.

Brierley sells stake in CHH

By Terry Hall in Wellington

Brierley Investments has sold an 8.5 per cent stake in forestry group Carter Holt Harvey (CHH) for NZ\$612m (US\$398m) cash to International Paper of the US.

CHH was controlled by a joint venture of International Paper and Brierley Investments, with each partner owning a 16.5 per cent stake.

Brierley will continue to hold 8 per cent of CHH through the joint venture company, and has no plans to sell further shares.

It became a shareholder in CHH in 1990, when the group faced a liquidity crisis.


Mr Paul Collins, Brierley chief executive, said the company had been a significant contributor to the substantial

"enhancement" of CHH's value.

Brierley had stabilised the ownership structure, underwritten two capital issues which together raised NZ\$855m, and set up the joint venture holding company with International Paper.

CHH, now managed by International Paper, has large forests in New Zealand and Chile.

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March 1994

PLACER DOME INC.



Rex J. McLennan

The appointment by the Board of Directors of Rex J. McLennan to the position of Treasurer of Placer Dome Inc. effective March 15, 1994 is announced by Ian G. Austin, Senior Vice-President and Chief Financial Officer. Mr. McLennan joined Placer Dome as Assistant Treasurer in September 1991 following an 11-year career with a multinational oil and gas company. As Treasurer, he will be responsible for developing strategies to finance Placer Dome's growth, and for corporate risk management, group tax and treasury operations. Mr. McLennan has a Bachelor of Science degree in Mathematics and Economics from the University of British Columbia in Vancouver and a Master of Business Administration degree from McGill University in Montreal. Placer Dome Inc. is a major global mining company whose principal product is gold. Placer Dome's 16 mining operations are conducted in Australia, Canada, Chile, Papua New Guinea and the United States of America.

Annual Meeting of Shareholders

The Annual Meeting of Shareholders will be held on Thursday, April 28, 1994, 10:00 a.m. at the BASF-Feierabendhaus, Leuschnerstraße 47, Ludwigshafen/Rhine, Germany

Agenda

1. Presentation of the Financial Statements of BASF Aktiengesellschaft and BASF Group for 1993; presentation of the 1993 Annual Report covering BASF Aktiengesellschaft and the BASF Group; presentation of the Supervisory Board Report.

2. Declaration of dividend.
3. Ratification of the actions of the Supervisory Board.
4. Ratification of the actions of the Board of Executive Directors.
5. Appointment of auditors.

Shareholders wishing to participate in the Annual Meeting and to exercise their right to vote must have deposited their shares during normal office hours and in the prescribed form at a depository bank. The shares should remain deposited until the conclusion of the Annual Meeting. Shareholders have the right to vote by proxy. Depository banks and the full Agenda are published in the "Bundesanzeiger" of the German Federal Republic Nr. 53 of March 17, 1994.

Depository banks in the U.K.:

Morgan Grenfell & Co. Limited
S.G. Warburg & Co. Ltd.

The deposit is only effective if the shares are submitted by Wednesday, April 20, 1994.

The Board of Executive Directors
Ludwigshafen/Rhine,
March 17, 1994

BASF Aktiengesellschaft
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BASF

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In accordance with the Terms and Conditions of the Notes, notice is hereby given that the new interest rates and periods in respect of the subject Notes are as follows:-

Interest Date	Interest Rate	Interest Period	Interest Rate
1st March 1994	5.00%	1st March 1994 - 31st March 1994	5.00%
1st April 1994	5.00%	1st April 1994 - 30th April 1994	5.00%
1st May 1994	5.00%	1st May 1994 - 31st May 1994	5.00%

By: Citibank, N.A. (Issuer Services)
March 15, 1994, London.

CITIBANK

NOTICE OF DIVIDENDS IN SHARES
and Conversion Price Adjustment

Daewoo Heavy Industries Ltd.
US\$40,000,000
3 per cent. Convertible Bonds 2001

Notice is hereby given to the holders of 3 per cent. convertible bonds 2001 of Daewoo Heavy Industries Ltd. that at a Meeting of the Board of Directors held on 14th December, 1993 the company resolved to declare Dividends in Shares to the Shareholders registered as of 17:00 hours on 31st December, 1993 in proportion to 0.02 Shares per one Share and the payment of Dividends in Shares was approved by the Shareholders at the General Meeting of Shareholders held on 28th February, 1994 and as a result of Dividends in Shares the Conversion Price was Decreased from Korean Won 6,110 to Korean Won 5,990 per share effective retroactively 1st January, 1994.

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Prices weaken as Bundesbank confirms rate fears

Hongkong Bank restructures its treasury business

Polisa must boost its capital to reach targets set for premium income. It expects premiums to rise to 900bn zloty this year.

Maltese borrowing debut draws high-yield investors

Swire Pacific, the conglomerate which is also seeking a debt rating. It will facilitate any plans by Wharf to tap international debt markets.

in consent. Data supplied by International Securities Market Association.

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INITIAL CHARGE: Charge made on file of **HISTORIC BORING-** The latter 4 digits

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

levels because of an intervening portfolio reallocation or a switch to a forward pricing basis. The managers must deal at a forward price on receipt, and may move to forward pricing at any time.

FORWARD PRICING: The latter F denotes

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SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last columns of the FT Managed Funds Service.

Daily clearing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

[illegible][illegible]

Stock Funds	1991-92	1992-93	1993-94	1994-95	1995-96
Amerscan 4	\$99.25	\$98.25	\$22.43	-4.59	16.76
Proctor Fund	\$270.40	\$276.40	\$26.40	-4.59	70.76
Compagny Fund	75.40	75.40	\$61.41	-0.23	16.67
Compagny Bond	75.40	75.40	\$51.41	-0.23	16.67
Compagny Divd	75.40	75.40	\$51.41	-0.23	16.67
Compagny Growth	75.40	75.40	\$51.41	-0.23	16.67
Compagny Income	75.40	75.40	\$51.41	-0.23	16.67
Compagny Mid-Cap	75.40	75.40	\$51.41	-0.23	16.67
Compagny Small-Cap	75.40	75.40	\$51.41	-0.23	16.67
Compagny Value	75.40	75.40	\$51.41	-0.23	16.67
Compagny World	75.40	75.40	\$51.41	-0.23	16.67
Compagny Z	75.40	75.40	\$51.41	-0.23	16.67
Compagny Y	75.40	75.40	\$51.41	-0.23	16.67
Compagny X	75.40	75.40	\$51.41	-0.23	16.67
Compagny W	75.40	75.40	\$51.41	-0.23	16.67
Compagny V	75.40	75.40	\$51.41	-0.23	16.67
Compagny U	75.40	75.40	\$51.41	-0.23	16.67
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Compagny N	75.40	75.40	\$51.41	-0.23	16.67
Compagny M	75.40	75.40	\$51.41	-0.23	16.67
Compagny L	75.40	75.40	\$51.41	-0.23	16.67
Compagny K	75.40	75.40	\$51.41	-0.23	16.67
Compagny J	75.40	75.40	\$51.41	-0.23	16.67
Compagny I	75.40	75.40	\$51.41	-0.23	16.67
Compagny H	75.40	75.40	\$51.41	-0.23	16.67
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Compagny F	75.40	75.40	\$51.41	-0.23	16.67
Compagny E	75.40	75.40	\$51.41	-0.23	16.67
Compagny D	75.40	75.40	\$51.41	-0.23	16.67
Compagny C	75.40	75.40	\$51.41	-0.23	16.67
Compagny B	75.40	75.40	\$51.41	-0.23	16.67
Compagny A	75.40	75.40	\$51.41	-0.23	16.67
Compagny Z	75.40	75.40	\$51.41	-0.23	16.67
Compagny Y	75.40	75.40	\$51.41	-0.23	16.67
Compagny X	75.40	75.40	\$51.41	-0.23	16.67
Compagny W	75.40	75.40	\$51.41	-0.23	16.67
Compagny V	75.40	75.40	\$51.41	-0.23	16.67
Compagny U	75.40	75.40	\$51.41	-0.23	16.67
Compagny T	75.40	75.40	\$51.41	-0.23	16.67
Compagny S	75.40	75.40	\$51.41	-0.23	16.67
Compagny R	75.40	75.40	\$51.41	-0.23	16.67
Compagny Q	75.40	75.40	\$51.41	-0.23	16.67
Compagny P	75.40	75.40	\$51.41	-0.23	16.67
Compagny O	75.40	75.40	\$51.41	-0.23	16.67
Compagny N	75.40	75.40	\$51.41	-0.23	16.67
Compagny M	75.40	75.40	\$51.41	-0.23	16.67
Compagny L	75.40	75.40	\$51.41	-0.23	16.67
Compagny K	75.40	75.40	\$51.41	-0.23	16.67
Compagny J	75.40	75.40	\$51.41	-0.23	16.67
Compagny I	75.40	75.40	\$51.41	-0.23	16.67
Compagny H	75.40	75.40	\$51.41	-0.23	16.67
Compagny G	75				

Accounting	92.58	102.13	110.60	118.00	125.00	132.00	139.00	146.00	153.00	160.00	167.00	174.00	181.00	188.00	195.00	202.00	209.00	216.00	223.00	230.00	237.00	244.00	251.00	258.00	265.00	272.00	279.00	286.00	293.00	300.00	307.00	314.00	321.00	328.00	335.00	342.00	349.00	356.00	363.00	370.00	377.00	384.00	391.00	398.00	405.00	412.00	419.00	426.00	433.00	440.00	447.00	454.00	461.00	468.00	475.00	482.00	489.00	496.00	503.00	510.00	517.00	524.00	531.00	538.00	545.00	552.00	559.00	566.00	573.00	580.00	587.00	594.00	601.00	608.00	615.00	622.00	629.00	636.00	643.00	650.00	657.00	664.00	671.00	678.00	685.00	692.00	699.00	706.00	713.00	720.00	727.00	734.00	741.00	748.00	755.00	762.00	769.00	776.00	783.00	790.00	797.00	804.00	811.00	818.00	825.00	832.00	839.00	846.00	853.00	860.00	867.00	874.00	881.00	888.00	895.00	902.00	909.00	916.00	923.00	930.00	937.00	944.00	951.00	958.00	965.00	972.00	979.00	986.00	993.00	1000.00
Accounting	92.58	102.13	110.60	118.00	125.00	132.00	139.00	146.00	153.00	160.00	167.00	174.00	181.00	188.00	195.00	202.00	209.00	216.00	223.00	230.00	237.00	244.00	251.00	258.00	265.00	272.00	279.00	286.00	293.00	300.00	307.00	314.00	321.00	328.00	335.00	342.00	349.00	356.00	363.00	370.00	377.00	384.00	391.00	398.00	405.00	412.00	419.00	426.00	433.00	440.00	447.00	454.00	461.00	468.00	475.00	482.00	489.00	496.00	503.00	510.00	517.00	524.00	531.00	538.00	545.00	552.00	559.00	566.00	573.00	580.00	587.00	594.00	601.00	608.00	615.00	622.00	629.00	636.00	643.00	650.00	657.00	664.00	671.00	678.00	685.00	692.00	699.00	706.00	713.00	720.00	727.00	734.00	741.00	748.00	755.00	762.00	769.00	776.00	783.00	790.00	797.00	804.00	811.00	818.00	825.00	832.00	839.00	846.00	853.00	860.00	867.00	874.00	881.00	888.00	895.00	902.00	909.00	916.00	923.00	930.00	937.00	944.00	951.00	958.00	965.00	972.00	979.00	986.00	993.00	1000.00

[illegible][illegible][illegible]

[illegible][illegible]

NEW YORK STOCK EXCHANGE COMPOSITE PRICE

[illegible][illegible]

43	24	Primo St.	0.68	1.18	118	44	44	44
45	24	Primo St.	1.04	1.11	111	45	45	45
46	24	Primo St.	1.04	1.37	9	46	46	46
47	24	Primo St.	0.96	1.02	102	47	47	47
48	24	Primo St.	0.96	1.02	102	48	48	48
49	24	Primo St.	0.96	1.02	102	49	49	49
50	24	Primo St.	0.96	1.02	102	50	50	50
51	24	Primo St.	0.96	1.02	102	51	51	51
52	24	Primo St.	0.96	1.02	102	52	52	52
53	24	Primo St.	0.96	1.02	102	53	53	53
54	24	Primo St.	0.96	1.02	102	54	54	54
55	24	Primo St.	0.96	1.02	102	55	55	55
56	24	Primo St.	0.96	1.02	102	56	56	56
57	24	Primo St.	0.96	1.02	102	57	57	57
58	24	Primo St.	0.96	1.02	102	58	58	58
59	24	Primo St.	0.96	1.02	102	59	59	59
60	24	Primo St.	0.96	1.02	102	60	60	60
61	24	Primo St.	0.96	1.02	102	61	61	61
62	24	Primo St.	0.96	1.02	102	62	62	62
63	24	Primo St.	0.96	1.02	102	63	63	63
64	24	Primo St.	0.96	1.02	102	64	64	64
65	24	Primo St.	0.96	1.02	102	65	65	65
66	24	Primo St.	0.96	1.02	102	66	66	66
67	24	Primo St.	0.96	1.02	102	67	67	67
68	24	Primo St.	0.96	1.02	102	68	68	68
69	24	Primo St.	0.96	1.02	102	69	69	69
70	24	Primo St.	0.96	1.02	102	70	70	70
71	24	Primo St.	0.96	1.02	102	71	71	71
72	24	Primo St.	0.96	1.02	102	72	72	72
73	24	Primo St.	0.96	1.02	102	73	73	73
74	24	Primo St.	0.96	1.02	102	74	74	74
75	24	Primo St.	0.96	1.02	102	75	75	75
76	24	Primo St.	0.96	1.02	102	76	76	76
77	24	Primo St.	0.96	1.02	102	77	77	77
78	24	Primo St.	0.96	1.02	102	78	78	78
79	24	Primo St.	0.96	1.02	102	79	79	79
80	24	Primo St.	0.96	1.02	102	80	80	80
81	24	Primo St.	0.96	1.02	102	81	81	81
82	24	Primo St.	0.96	1.02	102	82	82	82
83	24	Primo St.	0.96	1.02	102	83	83	83
84	24	Primo St.	0.96	1.02	102	84	84	84
85	24	Primo St.	0.96	1.02	102	85	85	85
86	24	Primo St.	0.96	1.02	102	86	86	86
87	24	Primo St.	0.96	1.02	102	87	87	87
88	24	Primo St.	0.96	1.02	102	88	88	88
89	24	Primo St.	0.96	1.02	102	89	89	89
90	24	Primo St.	0.96	1.02	102	90	90	90
91	24	Primo St.	0.96	1.02	102	91	91	91
92	24	Primo St.	0.96	1.02	102	92	92	92
93	24	Primo St.	0.96	1.02	102	93	93	93
94	24	Primo St.	0.96	1.02	102	94	94	94
95	24	Primo St.	0.96	1.02	102	95	95	95
96	24	Primo St.	0.96	1.02	102	96	96	96
97	24	Primo St.	0.96	1.02	102	97	97	97
98	24	Primo St.	0.96	1.02				

Continued on next page

RECRUITMENT

JOBS: As a new style of organisation emerges from the recession, companies are turning to temporary managers

How hard do you need to work at getting a job? Most people have heard of aspirants firing off scores of applications and advertisements attracting hundreds of inquiries, even for quite lowly posts.

There is nothing unusual about the committed job seeker, but the trend towards more flexible workforces and slimmer companies is influencing individual approaches to employment.

Richard McKeown has gone one step further than chasing every vacancy, turning his skills as a chartered secretary into an aggressively marketed business service aimed at short-term employment opportunities. McKeown, 46, who lives in Exbridge, west London, was made redundant in 1987 after the company he worked for moved to south Wales and he decided not going to go with it.

He invested £7,000 with an outplacement agency which did not find him a job but which gave him valuable advice about interviews and how to write a CV.

Since 1988 he has had a series of temporary contracts in the company secretarial role and is now completing a short stint as a temporary assistant company secretary at Kingfisher.

McKeown's name is registered with three recruitment agencies but he has gone beyond being merely a hopeful job applicant. He spends £5,000 a year on marketing himself. This includes employing a public relations expert.

The permanent temp is a Handyman

He produces a glossy brochure advertising his skills, experience, previous employers, selected references and the work he is capable of doing. He is, in his own words, "the all singing, all dancing one-man band".

McKeown may be the manager of the future: the sort of individual whom management philosopher Charles Handy, writes about in his new book, *The Empty Raincoat*.

Handy talks about a portfolio approach to life where you decide how much you want to work, how you want to work and where you want to work. Newly restructured organisations, he has observed, are moving increasingly towards the employment of fee-charging professionals.

A whole new employment industry has sprung up over the past 10-15 years to provide temporary - or "interim" - managers.

Many do not see themselves as temporary workers in the long term but are prepared to fulfil such roles until a permanent post comes along. McKeown claims to have "crossed the Rubicon" in this respect and now sees himself as a permanent temp.

He says he does not feel insecure, has never been despairing and is relaxed about his prospects. His experience as an inter-

im employee is growing. His former clients include BTR, Lautro and Mercury Communications.

The use of temporary staff started in Silicon Valley in the US among start-up companies. They employed a core of essential staff on a permanent basis and made up the rest of their workforce with temporary contractors.

Now the strategy is spreading to individual managers.

McKeown argues that it can be good for professionals because they can command higher fees than they would get on a salary basis. It can be good for the company because it is buying a short-term and often essential stop gap at a fixed price. The downside for the employer would seem to be cost and, to some extent, uncertainty about quality, although the temporary nature of the employment lessens the potential damage of recruiting a dud.

Jeff Groat, managing director of Robert Half, which has about 500 temporary accountants on its books, says: "As companies have come out of the recession they are not rushing to recruit staff back on a permanent basis."

"The traditional temp has changed dramatically. It used to be in low-level grades but there are now some very senior people doing it."

Charles Russam, managing director of the GMS consultancy and secretary of the Association of Temporary and Interim Executive Services, says his company database lists 3,500 executives to supply companies that need senior business managers at director level or one level below.

He estimates the executive leasing or interim management sector is worth between £70m and £100m in the UK and that it is growing at about 20 per cent a year as it is increasingly viewed as a serious alternative to long-term employees. He says: "Interim management is no longer being seen as the recycling of clapped out executives but as a credible option for business."

"Businesses are saying to themselves why do I need to keep such people on my payroll when I can go into the market and get someone in to do a specific job."

But how do you avoid getting a useless manager attempting to revive a washed-up career? Russam admits that such people have found their way on to agency books. His own company, he says, will no longer list anyone for whom it does not have three satisfactory references.

As registered employment agencies, such companies take their fees from employers. "It means that we owe a duty of care to our clients so it is in our inter-

ests to ensure that the people we are supplying are of a good calibre," says Russam.

Interest in temporary managers is growing, he says, among expanding small businesses which need hands-on management help, often on a part-time basis.

Use of the temporary professional has expanded markedly in the field of information technology. About 20,000 to 30,000 freelance employees are working in this area in the UK, with about 20 agencies marketing their services. The biggest operator, CSS-Comac, has about 1,100 people working. Tony Coombes, professional services director of Systems Resources of Coventry, which has about 500 contract staff working for employers such as IBM, says quality control is becoming increasingly important as customer companies are demanding good people and consistency from suppliers.

"Everyone we place is an ambassador of the company. If they don't do well, manufacturers will blame us," he says. "The company has become rigorous with its contractors. All conversations with freelancers discussing their abilities are recorded afterwards and kept on file. It may appear big brotherish but it's not. It is really a way of making a quality selection against the requirement the client gives us," Coombes says.

Contracts tend to be for three months. Employees do not have the holiday arrangements that their full-time colleagues enjoy but the trade-off in job security tends to be higher salaries. Computer operators in the £15,000 to £20,000 salary range may find themselves earning the equivalent of between £20,000 and £28,000 a week for the duration of the contract. Experienced programmers will be earning the equivalent of £30,000 to £45,000 a year compared with £20,000 to £30,000 in a full-time post.

Richard McKeown agrees that the fees commanded by temporary professionals are higher than full-time salaries. The fee, he says, has to account for personal overheads, self-provision of pensions, holidays and car. He also feels justified in including an additional element to reflect his availability at short notice.

One of the biggest problems for individuals, he argues, is adopting the frame of mind that accepts temporary contract working as the norm. To do this, he believes it is necessary to build up capital that can be used as a buffer for the times when demand is quiet.

He says: "There is a vast pool of highly qualified people out there. They might have come to it through redundancy, but so what? I think I'm better at my job now than I was 10 years ago. It has been a positive experience."

Richard Donkin

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A leading provider of global mobile communications services via satellite to users at sea, on land and in the air, Inmarsat is an internationally-owned cooperative backed by 73 countries. The Inmarsat partnership is a complex series of internal and external inter-relationships made up of investors, service providers, manufacturers, government administrations and the directorate representing a broad spectrum of perceptions and interests.

The rapidly changing telecommunications environment and the growing reality of competition are creating new challenges for the organisation. To meet them, Inmarsat's communications and public relations functions must continue to evolve - this will form a major part of your brief as Director of Corporate Communications.

Reporting to the Vice-President for Corporate Communications, you will be playing an active and important part in the management and direction of Inmarsat's worldwide corporate communications and public relations policies and programmes. This will principally involve:

- major public relations activities and
- establishing and maintaining channels of communications between Inmarsat, organisations and individuals on a worldwide basis.

Your focus is to be on developing and implementing communications programmes to help Inmarsat achieve its business objectives in this emerging environment. The programmes will call for:

- the effective employment of PR and media techniques,
- information and promotional product periodical publishing,
- exhibitions, special events, sponsorships and other promotional tools, and,
- the implementation of Inmarsat's corporate identity and brands.

You will have direct management responsibility for a team of 30 professionals within the department and together you will ensure that approved projects are carried out on time and within budget.

In return, there is a highly competitive salary and benefits package which reflects the high level of competence, experience and professional qualifications required.

To apply, please fax or mail your full career details to Yvonne Satch, S+T+C Selection, 54 Jermy Street, London SW1Y 6LX, United Kingdom. Fax: +44 71 499 7546. Closing date: 1 April 1994.



Inmarsat

EUROPEAN LEASING - LONDON

We have several vacancies for graduate bankers with fluent German, Spanish or Scandinavian languages, who are experienced in sourcing, pricing and closing high value cross-border leasing/asset financings (non-aircraft preferred). **SALARY HIGH.**

HIGHLY STRUCTURED UK LEASING
Two prime UK merchant banks seeks graduate bankers trained in credit, pricing/structuring, plus 2/5 years marketing/negotiating experience covering high-value structured lease transactions. **NEG £30-£45,000**

SALES AID VENDOR LEASING

We urgently seek "over-target" sales/marketing executives aged 25/28 years capable of producing leasing deals in the £250K+ per month range, covering office equipment transactions (e.g. copiers, fax, telephones, etc.) **PACKAGE NEG £22-£35,000 + BENEFITS**

Contact or send detailed CV's to BRIAN GOOCH/STEPHEN SHANAHAN

OLD BROAD STREET BUREAU 65 London Wall, London EC2M 3TU
Search & Selection Consultants Tel: 071-588 3991 Fax: 071-588 9012

SENIOR S/YEN DEALER

A major international bank requires a senior spot trader with at least 5 years experience of profitable dealing in S/Yen and associated crosses. An excellent package is on offer for the successful applicant. **£ HIGHLY NEG**

COMPLIANCE SPECIALIST

A major US investment bank seeks a dedicated compliance specialist with an audit compliance, asset administration management background. Excellent communications skills and creative thinking are important as will be familiarity with IMRO/SEC. Brief will cover advisory, training, audit, procedures and systems. **£ HIGHLY COMPETITIVE**

CREDIT RISK ANALYSTS

We have two major banks seeking graduate/ACIB qualified bankers, aged 25/28 years, who have received formal credit training. **SALARY RANGE £25-28,000 + BENEFITS**

SARGENT

BROTHERS LTD.

Currently seeking University educated individual to supplement successful, exchange-based (LUFFE) options market-making firm. Candidates must be competitive, motivated and highly numerate. All interested parties please forward CV to:

Gregory O Sargent
168 Smith Street
London SW5 4EE

INTERNATIONAL CONSULTING GROUP

is planning to increase activities to all parts of the U.K. Applications are invited from professionals with backgrounds in all aspects of industry and commerce.

Send CV to M B Beattie,
International Business Consultants,
45 Frederick Street, Edinburgh
EH2 1EP

BANKING FINANCE & GENERAL APPOINTMENTS



ANGLO IRISH BANKCORP

Anglo Irish Bank Corporation plc is a fully integrated banking group with an asset base exceeding IR£1 billion. The bank, which is publicly quoted on the Stock Exchange in Dublin and London, now wishes to recruit two Senior Managers for its banking divisions in the UK and Ireland.

SENIOR MANAGER, BANKING (UK)

This position will suit an experienced banker with a number of years experience in the UK secured lending market at a senior level.

The successful candidate will be responsible for the development and control of an expanding loan portfolio and will be expected to make a full contribution to the continued growth of the bank's UK operation. The position is a senior one, carrying a high degree of autonomy.

An attractive remuneration package is available and will be discussed at interview.

To apply, please contact John Rowan, General Manager, by telephone or in writing, at:

Anglo Irish Bank Corporation plc
Moor House
119 London Wall
London EC2Y 5ET
Telephone: (071) 628 4004.

SENIOR MANAGER, BANKING (Ireland)

The successful applicant, who will report directly to the Director of Banking, will be responsible for the control and development of two lending teams and the continued growth of the bank's corporate business.

The successful candidate will have a third level or professional qualification. He/She should have several years lending experience and be a resourceful and innovative banker. The position carries a high degree of autonomy.

An attractive remuneration package reflecting the seniority and responsibility of the appointment will be discussed at interview.

To apply, please contact Bill Barrett, Director of Banking, by telephone or in writing, at:

Anglo Irish Bank Corporation plc
Stephen Court
18-21 St Stephen's Green
Dublin 2
Telephone: (010 353 1) 676 0141.

All applications will be treated in the strictest confidence.
THE CLOSING DATE FOR APPLICATIONS IS THURSDAY, 31st MARCH, 1994.

CITY RESEARCHER

LEADING EXECUTIVE SEARCH CONSULTANCY

LONDON

ATTRACTIVE SALARY + BONUS POTENTIAL

- Whitehead Mann is one of the leading executive search companies in the UK operating at the highest levels in both the UK and internationally.

- The company has a good reputation for developing its researchers and prospects for promotion are excellent.

- Opportunity to join small, highly respected specialist financial service team working for a variety of blue chip institutions in commercial and investment banking, retail financial services and investment management.

- Broad involvement in all aspects of assignments with substantial client contact and specific responsibility for identifying and approaching candidates.

- Key position involving senior level contact and requiring excellent communication skills, tenacity, creativity and a high degree of energy and initiative.

- Graduate aged mid to late twenties. Will have a good knowledge of treasury, capital markets, securities and derivatives.

- Should be used to operating in an international environment and a second language is useful but not essential.

- May already be a researcher with a reputable search company or alternatively have experience in banking or securities with good understanding of trading markets.

Please apply in writing quoting Ref: RES/94
with full career and salary details to:

James Roberts
Whitehead Mann Limited
44 Welbeck Street, London W1M 7TF
Tel: 071 935 6978

Whitehead Mann
AMROP INTERNATIONAL

An excellent opportunity exists for an outstanding professional with legal experience and a thorough grounding in derivative products to join a bank with an international reputation for product innovation. Bankers Trust's capital strength, intermediary skills and entrepreneurial spirit make us one of the world's leading investment banks.

Derivatives Negotiator International Capital Markets

Excellent Salary + Bonus & Benefits City

This highly visible and critical role has responsibility for the execution and negotiation of swaps, equity, commodity and other derivatives documentation. It involves:

- The negotiation of master agreements, guarantees, credit and other derivatives documentation.
- Effective liaison with senior traders, credit, operations and legal to ensure successful execution with counterparties.
- Transactional work relating to latest and most complex derivative products.

A lawyer with a minimum of 2 years' Capital Markets experience, including a good understanding of ISDA agreements, you will have worked in a similar banking role or in a leading city law firm. Stamina, initiative and ability to thrive in a high pressure, fast paced environment are essential. Some familiarity with equity derivatives is preferred. Excellent interpersonal and communication skills are necessary to build relationships with traders and deal constructively with contentious issues.

If you want a demanding personal challenge, exceptional career prospects and the rewards appropriate to senior, successful individuals, please write to: Ms J Hogan, Bankers Trust Company, 1 Appold Street, Broadgate, London EC2A 2BE.

Bankers Trust
EXCEPTIONAL PEOPLE
ARE OUR FUTURE.

HOUSE OF COMMONS (Department of the Clerk of the House) SELECT COMMITTEE SPECIALIST ASSISTANTS £17,776 - £24,620

The Treasury and Civil Service Committee requires one or two Specialist Assistants to cover economic questions. The Committee regularly examines Government economic policy, taxation proposals, public expenditure and international monetary arrangements. Candidates should be well versed in at least one of these fields. The duties will include giving specialist assistance to the Clerk of the Committee and undertaking research into specific questions at their request.

Applications are invited from candidates with a good degree or an equivalent professional qualification in a relevant subject together with several years' relevant practical experience. An interest in public administration will be an advantage, and familiarity with the use of a micro-computer is essential.

Starting salary will depend on age, qualifications and experience. The appointments will commence as soon as possible and will be for an initial period of two years, with the possibility of an extension for a further two years.

There is an attractive remuneration package including a non-contributory pension scheme in respect of personal benefits, interest free loan for season ticket purchase and generous leave.

Strict political impartiality is required of all House of Commons staff and the appointees will be expected not to engage in political activities for the duration of their appointment.

For further details and an application form write to: Recruitment & Assessment Service, Alencon Link, Basingstoke, Hampshire RG21 1JB or telephone 0256 468551 quoting reference number C/94/2088.

Closing date for return of application forms: 31st March 1994

Applications from Registered Disabled candidates will be welcomed.

The House of Commons Service is an Equal Opportunities Employer

CORPORATE FINANCE OPPORTUNITIES

- THREE TOP CITY BASED BANKS REQUIRE:
- Corporate / Project Finance: Energy and Natural Resources: minimum 2 years experience, second language preferable - good communication skills with a dynamic personality. Age 26-29. Salary negotiable.
 - Corporate Finance: German speaking - minimum 3 years experience to be based in UK. Self starter with the ability to generate deals - this is a unique position requiring an exceptional person, preferably German Nationals. Age 28-32. Salary negotiable.
 - Cross Border Corporate Finance: Good Quality M.B.A. Lawyer graduate must have at least 2 years experience - essential second language preferably French. Must be able to demonstrate good communication skills. Age 26-29. Salary negotiable.

For further details please call on 071-377 6498 or send fax your CV to Deborah Mitchell. All applications are treated in the strictest confidence.

CAMBRIDGE APPOINTMENTS
232 Shoreditch High Street, London E1 6PL. Fax No. 071-377 0887

MARKET MAKING FX/DERIVATIVES SALES PROFESSIONAL

Citibank provides a comprehensive range of financial products and services to corporate, institutional and individual customers globally.

Based at our European headquarters in London, our Foreign Exchange team is recognised to be one of the world leaders, dealing across 136 currencies.

Working in the market making team, you will have direct contact with professional clients, travelling extensively marketing FX and Derivative products to central banks, sovereigns and correspondent banks globally.

Ideally, you will be a Graduate with 1-2 years' experience and already have a proven track record of selling and trading FX/Derivative products. A knowledge of European languages would be advantageous.

A highly competitive remuneration package is offered, together with career development opportunities both within the FX function and Citibank as a whole.

CITIBANK
We are an equal opportunities employer

To apply, please send your full CV and a covering letter to Joanne Lee, Human Resources Officer, Citibank N.A., P.O. Box 78, 336 Strand, London WC2R 1TB.

Financial Services Regulation Policy Development City

IMRO - Investment Management Regulatory Organisation Limited - was established under the Financial Services Act. IMRO's objective is to protect investors by setting and promoting high standards of integrity, competence and solvency for its Members and by monitoring and enforcing those standards effectively and efficiently. Members, numbering around 1100, include fund managers, unit trust managers, pension fund managers, venture capital companies, banks and trustee companies.

Our Legal & Policy Department plays an important role in developing IMRO's standards of investor protection and standards of regulation. We now require two additional experienced professionals to join our multi-disciplinary team. They will be involved in the identification and analysis of policy issues relevant to IMRO's standards, and the preparation of policy papers, Board papers and consultation papers, proposing practical solutions to problems identified.

Candidates should have a sound understanding of the main lines of investment business, both wholesale

and retail, and of the UK regulatory structure. Among the competencies required are strong analytical and communication skills, a facility for the interpretation of statute and regulations, and experience in the drafting and presentation of policy issues. Organisational and management skills are also desirable. For one of the vacancies a legal qualification and experience is essential; for the other a legal or accounting qualification will be an advantage but is not essential.

Both posts offer opportunities for further progression in due course and will provide valuable career development experience. A competitive remuneration package will be offered, related to experience and qualifications, and this will include non-contributory pension and life assurance.

Please write (under confidential cover) with a curriculum vitae, including salary details, and state your reasons for applying and how you meet our requirements, to: Robert Charleston, Head of Personnel, IMRO, Broadwalk House, 6 Appold Street, London EC2A 2AA. Please quote reference number LP94/03.

—IMRO—

Capital Markets—Middle Office Opportunity

LONDON

CONTROLLER - RISK / FINANCE

£ EXCELLENT PACKAGE

This is a key position within the Capital Markets subsidiary of one of the world's largest banks with assets in excess of US\$250 billion and a network of operations embracing every major financial centre.

The Company has a record of exceptional performance, well managed client relationships and sustained growth. It is now seeking to appoint a key individual to head a middle office function for the Derivatives Arbitrage Division.

Working beside a leading-edge, innovative and cosmopolitan team, key responsibilities within the role will include:

- Market risk analysis of a complex array of instruments
- Daily mark to market
- Management of short term cashflows
- Overseeing of Daily P&L reporting
- Capital utilisation and allocation
- Management of an expanding high calibre team producing monthly management accounts and annual financial statements

The successful candidate will be able to demonstrate an advanced mathematical background and a detailed understanding of the risk characteristics of derivative instruments. In addition, candidates must be able to work effectively in a fast pace, complex environment, be able to initiate innovative risk assessment techniques, and be a confident communicator at the most senior level.

This high profile, demanding position requires a qualified accountant with a proven record of success and team management. The ideal candidate will currently be working in a sophisticated middle office or front office environment.

For further information please contact Fiona Johnson or Tim Buxton on 071 404 3155 or write to them, enclosing a Curriculum Vitae, at Alderwick Peachell and Partners at the address below. All enquiries, will of course be treated in the strictest confidence.

Alderwick Peachell

— PARTNERS LTD

Alderwick Peachell & Partners Limited, Recruitment Consultants, 125 High Holborn, London WC1V 6QA. Tel: 071-404 3155. Fax: 071-404 0140.



SAMUEL MONTAGU

Head of Compliance— Merchant Banking

Samuel Montagu is the merchant banking arm of the HSBC Investment Banking Group for the UK, Continental Europe and the USA. The other members of the Group are James Capel, Wardley and HSBC Asset Management. Samuel Montagu focuses on corporate finance, specialised financing, private equity and export and project finance. Overseas, Samuel Montagu has offices in New York, Paris, Oslo, Stockholm, Helsinki, Budapest, Warsaw and Prague.

Samuel Montagu wishes to recruit a Head of Compliance who will report directly to the Chief Executive. The Head of Compliance will be expected to play a key role in the development of the business and will work closely with the business heads both in the UK and overseas.

The Head of Compliance will be responsible for the implementation of compliance policy, ensuring that appropriate rules and procedures are in place in all business and support areas. He/she will also

provide a strong advisory service to the Chief Executive and directors on compliance related issues. Close relationships will also be maintained with the central compliance function of the HSBC Group in London.

To be considered for this role candidates must have the personal authority to deal with senior line management as well as having knowledge of both merchant banking and relevant rules and regulations, including those of the SFA, Stock Exchange and the City Code on Takeovers and Mergers.

A competitive remuneration package and a full range of banking benefits will be offered to reflect the importance of this position.

For an initial confidential discussion please contact Anna Williams at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH or phone her on 071 831 2000.

Michael Page City
International Recruitment Consultants
London Paris Amsterdam Düsseldorf Sydney

DERIVATIVES TRADER (INTEREST RATE PRODUCTS)

As part of our growing investment in the area of Interest Rate Products, American Express Bank requires an experienced *Interest Rate Derivatives Trader* with a minimum of 2 years experience of trading Interest Rate Swaps and Interest Rate Options.

The successful incumbent will join a successful Treasury Group about to strengthen its presence in this area of the market. This successful candidate will have the opportunity to provide a shaping influence into the next phase of growth of this business within American Express Bank. In this role they will be expected to provide risk analysis of the bank's Interest Rate exposure, as well as providing a market making and trading capability to the bank's clients.

Applicants will need to have a degree in a related area e.g. applied mathematics, statistics, as well as possess excellent analytical skills. In addition candidates will need to be able to demonstrate well developed interpersonal skills

e.g. communication, and have high personal levels of motivation.

The rewards include a highly competitive base salary, bonus, stock awards, company car as well as the usual banking sector benefits.

To apply you should write to Ms M. King at American Express Bank Ltd., 60 Buckingham Palace Road, London SW1W 0RU.

**AMERICAN
EXPRESS
BANK**

DEPOSITS • CAPITAL PROTECTION • SPECIALISED FINANCE
INVESTMENT • TRADE AND BUSINESS FINANCE • CREDIT
STOCKS • BONDS • TREASURY SERVICES
ASSET PROTECTION • CORRESPONDENT BANKING



MANAGING CONSULTANT

We are a leading firm of consultants engaged in training, education and publishing. We have offices in London, Amsterdam, Frankfurt and Budapest from which we provide in-house and public training courses and training consultancy.

A vacancy exists in London for a Managing Consultant covering the following areas:

- Treasury management
- Foreign exchange
- Capital markets
- Asset management

The successful candidate will be well educated, will have recent practical experience of at least two of these areas, and possess excellent communication skills consistent with a training environment.

The role will demand skills in team management; the preparation and delivery of training programmes; business and product development.

Opportunities to grow with this progressive business are excellent for an ambitious, entrepreneurial and committed individual. Financial rewards will include an excellent salary and package.

Please send a full cv to the Managing Director at BPP Training & Consultancy Ltd, Moorgate Hall, 155 Moorgate, London EC2M 6XB.

Other opportunities for consultants also exist in these areas - please send your cv and a covering letter explaining your specialist subjects.

Applications must be submitted by 31st March 1994, and all communications will be treated in strictest confidence.

FUND MANAGER - FIXED INTEREST UK ECONOMIC & FINANCIALS ANALYST

Two opportunities have arisen within our City-based UK Investment Division, which manages assets in excess of £5bn.

Fund Manager, Sterling Fixed Interest:

Responsible for management of a portfolio of c.£400m, the successful candidate will have a minimum of three years experience in fixed interest investment and possesses a thorough knowledge of the sterling corporate bond markets and credit analysis techniques.

UK Economic & Financials Analyst:

This position, responsible for both original research into UK Financial companies and regular commentary on the UK economy, is within the eleven-strong UK Equities team, which manages c.£5bn. Candidates must have a minimum of two years research experience within the Financials Group and economic qualifications to degree level.

In both instances the ideal candidate is likely to be in his/her mid to late twenties. Please forward C.V.s to: Mrs E. Day, Confederation Life Investment Division, Birchinn Court, Birchinn Lane, London EC4V 9AB.

Confederation Life
GROUP OF COMPANIES

SCOTTISH WIDOWS

Portfolio Manager

Japanese Equities

Edinburgh

Scottish Widows Investment Management is one of the leading investment institutions in the UK with assets under management exceeding £21 billion.

Continued growth has now led to an opportunity for an exceptional individual to join their established and highly successful team in Edinburgh, researching companies and in due course managing a number of portfolios in Japan.

Applications are sought from top quality graduates who ideally will be aged in their mid to late 20s and have around 2 years' experience of Japanese Equity Analysis. The successful candidate will hold, or be

willing to study towards, Associate Membership of the Institute of Investment Management and Research or an equivalent qualification. Naturally, motivation, initiative and well developed communication skills are pre-requisite requirements of this post.

A competitive remuneration package will be offered to the right candidate, along with excellent career prospects with one of Britain's most forward looking institutions.

Scottish Widows Investment Management Ltd is a member of IMRO

For a confidential discussion, telephone or write with full CV to: Gavin Brydon, ASA International Ltd, 88 George Street, Edinburgh, EH2 2JG. Tel: 031 226 6222. Interviews will be held in London and Edinburgh. All CVs sent to our client will be forwarded to ASA International.

ASA International

ASA INTERNATIONAL



Supervision of Retail SROs

— a senior management position

The Supervision of Retail SROs Department within the Securities and Investments Board (SIB) aims to ensure that Retail SROs provide high standards of investor protection.

SIB wishes to appoint a Senior Manager, reporting to the Head of Department.

The job holder will:

- manage a small team collating and interpreting information from every source about the performance of the SROs;
- identify and seek resolution of regulatory issues, maintain constructive working relationships with the SROs;
- assist in the development of supervisory techniques and procedures;

• provide briefings on a wide range of SRO issues. Applicants will have a sound working knowledge of the retail investment industry including products and players. They should be of graduate calibre and will have a record of successful management of people and issues. Other essential attributes include an aptitude for critical analysis, excellent communication and negotiating skills and an ability to provide concise, focused briefs. A mature personality with quick intelligence and sound judgment will flourish in this role.

Interested applicants should in the first instance, contact Anna Williams at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH or phone her on 071 831 2000. Closing date 29th March 1994.



Michael Page City
International Recruitment Consultants
London Paris Amsterdam Düsseldorf Sydney

Senior International Banking Opportunity

India

£70,000 pa + first class benefits

Our client is increasingly recognised internationally as one of the leading financial institutions in the United Arab Emirates.

Building on a strong domestic business, and with an established international presence in London, Hong Kong and the sub-continent, they now wish to appoint a Country Manager, with senior level banking experience, to head up their expansion into India.

The key accountability will be to establish the Bank's presence in India, initially in Bombay.

Key tasks will include:

- developing, gaining approval for, and implementing a business plan for the Indian operation
- establishing a branch operation
- obtaining all resources required to implement the business plan and run the branch operation
- developing quality business
- ensuring the implementation of credit and operational controls in line with Group and local statutory requirements.

This is a high profile, senior level career

appointment reporting to the UAE based Assistant General Manager (International). Candidates should bring up to 20 years retail/commercial/corporate banking experience to the role, including notable business development success and demonstrable experience of successful management of an operation at regional or territory level.

The person appointed will need considerable motivation and commitment, together with a hands-on approach, to drive this start-up operation. Communication, presentation and negotiating skills of the highest order will be required to ensure success.

In return, the Bank offers a competitive salary and a very attractive expatriate benefits package, including fully furnished accommodation with domestic servants, car and driver, generous leave and leave air fare entitlements, club membership and generous children's education provision.

Interested candidates should write in confidence quoting the Ref: 1331/8 to Tim Knight, MSL International Limited, 32 Aybrook Street, London W1M 3JL.

MSL International
CONSULTANTS IN SEARCH AND SELECTION

EUROPEAN INVESTMENT BANK

The EIB, the financial institution of the European Community, is currently seeking for appointment to its Economic Research Directorate in LUXEMBOURG an:

Energy Economist (m/f)

(with 3 to 5 years practical experience)

The person appointed will participate in the economic evaluation of energy investment projects submitted to the Bank for financing and perform energy sector work.

Candidates should possess a university degree in economics, a post-graduate qualification in energy economics (MA, MBA or PhD), a strong background in quantitative analysis and experience both in the economic evaluation of energy projects and the preparation of energy sector studies.

Private sector experience would be appreciated.

Languages: as the Bank's working languages are English and French, excellent knowledge of one and good command of the other are essential. Working knowledge of a third Community language would be an advantage.

The Bank offers attractive terms of employment, a generous salary and a wide range of welfare benefits. It is an equal opportunities employer.

Applicants, who must be nationals of an EEC Member Country and preferably not over 35 years of age are requested to send a detailed curriculum vitae, together with a photograph to:

EUROPEAN INVESTMENT BANK
Recruitment Division (ref. ET/PM 9402)
100, Boulevard Konrad Adenauer
L-2950 LUXEMBOURG. Fax: 4379 3360.

Applications will be treated in strictest confidence and will not be returned.



JUNIOR GILTS SALESPERSON MAJOR EUROPEAN BANK

An exciting opportunity to join an expanding GEMM Sales Team of a Major European Bank. The successful candidate will be a highly intelligent, dynamic and personable graduate with a good (2:1 or above) finance related degree. This individual will have gained at least one year's relevant experience in a prime financial institution.

Excellent prospects, competitive salary, plus banking benefits. CV's will be sent unopened to our client.

Please contact Brenda Shepherd

Fax
071-626 9400

Ridgway House 41/42 King William Street
London EC4R 9EN

Telephone
071-626 1161

SHEPHERD LITTLE

MERIDIAN RISK MANAGER

A leading bank with a globally organised interest rate derivatives unit is seeking risk manager with approximately 5 years experience to work within its London team. The team is establishing pricing and risk management capabilities in "second generation" derivatives including path-dependent products. The successful candidate will have at least three years experience of risk management and is likely to have postgraduate qualifications in mathematics or related discipline. He or she will also require programming skills in order to work with our dedicated programmes. The candidate will work within a small team of similarly highly skilled professionals.

A competitive remuneration package will be offered to the right candidate.

Please forward your C.V. to Alex Buxtonworth
Closing date for applications: 25th March 1994
25 Museum Street, London WC1A 1JT

RECRUITMENT CONSULTANTS

INTERNATIONAL M&A

An expanding international M&A advisory firm with offices in ten countries globally is seeking entrepreneurial M&A professionals, with a minimum of 5 years transaction experience, to join its London, Paris and Düsseldorf offices. The firm is a leader in mid-market cross border M&A. Please send resume in confidence to the address below to obtain further information.

Write Box B2306, Financial Times, One Southwark Bridge, London SE1 9HL

International Banking Marketing Manager Credit Card Operations

to £55,000 (tax free) + expatriate package

Our client, a prominent player within the international banking community, operates in all major markets, including the UK and the US. They provide a range of services for both private and corporate clients and have the level of capitalisation and financial resources to justify their global objectives.

We are looking for a Marketing Manager, reporting to the Head of the Credit Card Business. This is a new management role in an expanding area, a critical element of the new Domestic Banking Division. With responsibility for all credit card marketing, the role encompasses advertising, promotional campaigns and new product development.

You will be a professional marketer with experience in financial services and a proven track record in card marketing. Good project management and excellent communication skills are essential. Graduate calibre with a professional marketing qualification preferred. The contract will be renewable after an initial two year period.

If you would like to be considered for this post please write giving full details of your career and current salary, quoting reference 0219, to AAD Executive Selection, 7 Cannon Street, London W1Y 7FL.

AAD

The Executive Selection Division of Odgers and Co. Ltd.

CORPORATE FINANCE PROFESSIONALS

City

Excellent Package

FLEMINGS

A continuing increase in business levels has resulted in the need for this high profile and respected UK Merchant Bank to recruit experienced corporate financiers.

Successful candidates will demonstrate the following attributes:

- Outstanding academic background and/or professional qualifications
- A minimum of one year's experience in a corporate finance environment
- Strong technical skills allied to the ability to build relationships both internally and externally
- Highly ambitious and goal orientated outlook

Roles exist within both transaction and origination teams for individuals wishing to move to a progressive environment offering realistic potential for career progression.

Interested candidates should contact John Axworthy on 071-629 4463 (day), 071-720 0613 (evenings) or send in a full CV promptly.

HARRISON WILLIS

SEARCH AND SELECTION PARTNERSHIP

39-40 Albemarle St., London W1X 3FD. Fax: 071-491 4705

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CU MORLEY INVESTMENT MANAGERS MARKETING MANAGER: PENSION FUNDS

CU Morley is the pension fund management arm of Commercial Union Investment Management Ltd. Pension Funds under management exceed £1.4bn. Recent restructuring has put in place a new management team with a clearly defined investment style and an ambition for success which has been reflected in recent performance.

The Managing Director is seeking an individual to assist in the development of the marketing function. Duties will include developing marketing material, making presentations, liaising with consultants, completing consultants questionnaires and building a database of marketing information.

Interested applicants will be graduates aged 25-30, and will have at least two years' experience of the pension fund management industry. Ideally they will have worked in a marketing function already and will have a knowledge of pension fund consultants. The successful candidate will be capable of working both independently and as part of a team.

This is an excellent opportunity to join an ambitious

group at an early stage of development and with considerable potential for career growth. Remuneration will be sufficiently attractive for the right individual.

To discuss this further, in strictest confidence, please contact Christopher Lawless on 071 379 1100 or write to him at:

The Bloomsbury Group,
Search & Selection Consultants,
The Second Floor,
Bedford Chambers,
Covent Garden,
London WC2E 8BA.
(Fax: 071 240 6382).

**THE
BLOOMSBURY
GROUP**

SALES PROFESSIONALS

needed to sell CAD Bureau Services to all sectors of industry and commerce in Scotland and the North of England. Current sales activities in related fields would be a plus.

Apply to Diana C Kenny
IBC 45 Frederick Street
Edinburgh EH2 1EP

INTERNATIONAL EXPORT MANAGER

Established world famous US consumer/professional hand tool mfg. is seeking an experienced Export Mgr. Knowledge of DIY hard goods. Must be fluent in English, French & German.

Please fax resume with salary requirements to:
BK 201-845-3911.

JOSLIN ROWE

banking recruitment consultants

manager, eurobonds

£45,000

Leading City-based International Investment Bank currently seeks an experienced Fixed Income Manager with first class man management skills to join this highly successful operation. Candidates should possess at least 5 years' experience of Eurobonds, Domestic, Government Bonds, Repos, Convertibles, Emerging Markets etc. Ideally gained in a similar high volume environment.

marketing manager

£40,000

An opportunity exists in this dynamic organisation for a Manager to support the Financial Services Division. You will provide marketing and sales support, to include production of corporate literature and monthly newsletters. Previous marketing experience from an investment management environment is sought. Knowledge of another European language would be advantageous.

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Celebrations for the Father of bookkeeping

You might have thought that with half a millennium during which to work, accounting historians would by now have got their facts straight about the development of double-entry bookkeeping. If so, you would be wrong.

Five hundred years after the publication of what is generally acknowledged to be the first textbook of modern accountancy, the academics researching the topic still seem to be as divided in their interpretations as they are in their (surprisingly large) number.

Most would at least agree to a common definition of double-entry bookkeeping: for every debit there is a corresponding, balancing credit. It is a sacred principle still worshipped today, the basis of ledger-keeping - manual and electronic - used daily by millions of number crunchers around the world.

That is about as far as the consensus goes. Few could debate that a weighty book was published in Venice in 1494 called *Summa de Arithmetica, Geometria, Proportioni et Proportionalia*, and attributed to Friar Luca Pacioli, a Franciscan monk turned teacher, which describes the so-called "Venetian method" of accounting.

But was he the author? Was his work original? Was he truly the first to codify double-entry bookkeeping? More important, does it all matter anyway? In the past few weeks, intense argument has been aired on these and other related topics.

Pacioli has certainly triggered a great bout of self-reflection. Some individuals and professional bodies have been so eager to unprop the champagne corks of celebration that they have not waited for November,

The anniversary of a text by a 15th-century monk has sparked debate over the origins of double-entry, writes Andrew Jack

which was the month of publication 500 years ago.

Last month, the Institute of Chartered Accountants in England and Wales - eager to get in first - dressed up a hapless soul in a habit to publicise its "Figures in proportion" exhibition on Pacioli. In characteristically more didactic fashion, the Institute of Chartered Accountants of Scotland held a two-day "Festival of Accounting" conference earlier this month.

In April, the Italians gather in Venice to discuss and dine sumptuously in memoriam of the monk.

It has been left to the enterprising Americans to arrange a four-day recreation of Pacioli's "historic" trek from his birthplace of Sansepolcro to Urbino. The trek takes place this summer, at the conclusion of a seminar, "The Pathway of Pacioli", and has been organised by Dave Tinius and Bill Weiss, two Seattle-based academics who have done more than anyone to nurture festivities over nearly a decade.

Yet these signs of homage are in stark contrast to the dark ages of just a few years ago. Copies of Pacioli's *Summa* were changing hands for extremely modest sums. He was barely recognised or memorialised in his own home town. The Italians had little time for him, in contrast to some of his contemporaries such as Leonardo da Vinci, his friend and collaborator.

Pacioli was certainly an unconventional monk. In spite of taking monastic orders, his friendship with Giuliano della Rovere, who conveniently

became Pope Julius II, led to a Papal bull in 1508 waiving Pacioli's obligation to obey the Franciscan vow to live "in obedience, without property, and in chastity".

He seems to have taken full advantage of all three exemptions, being accused of self-love by Erasmus, living comfortably and incurring the wrath of his fellow monks at death by leaving much of his money to his family and not his monastery.

For Frans Volmar of the University of Limburg in the Netherlands, Pacioli was "the perfect accountant". He sees him as a crusader against the heathenism of his times, a leading proponent of the Franciscan beliefs that mathematics and the arts could revive Christianity.

He says that while the *Summa* was not original in its thoughts, it was a detailed description of the best accounting practices, which met the definition of a conceptual framework as used today by the US Financial Accounting Standards Board.

He argues that among the points Pacioli highlights are the importance of orderly bookkeeping and internal controls, fairness, consistency, full disclosure, relevance, prudence, materiality and the role of profit generation as an objective.

Volmar even sees in the text discussions on more advanced accounting issues such as the treatment of banking transactions, joint ventures, branches, bills of exchange, extraordinary items and foreign currency translation.

Some academics stress that Pacioli

was a great populariser, writing, for example, in the Tuscan and Venetian dialects rather than the Latin which was all but ubiquitous in scholarly circles at the time. It was this that helped form the basis of innumerable copycat accounting texts elsewhere in Europe and beyond from the early 16th century onwards.

A more cynical commentator might suggest that Pacioli was also the father of modern creative accountancy. As his text on inventories advises: "Giving to each entry an average price from your own personal knowledge, rather higher than low; that is, should they appear to you as worth 20, put them down at 24. By this means you will obtain better profit."

Others are certainly less convinced than Volmar about the Pacioli's legacy. Among the accusations are that he did not invent double-entry bookkeeping but merely codify it; that he may not have written the *Summa* himself; and that his text is flawed.

As early as 1650, he was being accused of plagiarising from the work Piero della Francesca, his first teacher. The father of modern Pacioli iconoclasm is Basil Yamey, emeritus professor at the London School of Economics. He has suggested a series of inadequate or confusing points in Pacioli's text that cast doubt on the usefulness of the text as a means of instruction in double-entry.

These views are shared by Richard Macve from the University of Wales, who also highlights vital omissions, contradictions and obscurities which

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This company is a fully autonomous profit accountable business within a £ multi-billion UK plc, manufacturing and supplying a very wide range of product to multi-national consumer groups and independent businesses. It is a strong cash and profit generator with an outstanding growth record and a strategy to tighten its grip on existing markets through a searching evaluation of the economics of its current business, in addition to an acquisition programme which will extend its range of operations.

The Finance Director will play a crucial role within the management team focusing on a range of strategic issues including the structure of operations, product and market profitability, major capital programmes and acquisitions. The position will require the development of a finance function strong in financial analysis and management reporting as well as fundamental accounting, and strong leadership of the business systems/IT function.

Applicants must be creative, graduate calibre accountants with experience at a senior level in a substantial manufacturing group which operates to top multi-national standards. Strong inter-personal and communication skills should accompany managerial experience and a flair for leadership. There are excellent further prospects within the Group.

Age guideline 32-40.

Please reply in confidence quoting ref L550 to:

Brian H. Mason,
Mason & Nurse Associates,
1 Lancaster Place, Strand,
London WC2E 7EB.
Tel: 071-240 7805.

Mason & Nurse
Selection & Search

GROUP CHIEF ACCOUNTANT

Bass from £50,000 + outstanding benefits package

Bass PLC has an enviable reputation and record as one of the UK's leading groups with substantial interests in drinks, hotels and retailing. With well established investor relations it is at the forefront of best practice in the field of accounting disclosure. Following promotion to a divisional directorship, an excellent opportunity has arisen for a Chartered Accountant to become a key member of the central finance function.

Controlling a small team of professionally able accountants you will be responsible for the production of the Group's Financial Statements and for providing accounting advice to divisional and senior Group management and information to investors.

You will establish and review the Group's accounting policies as required and will play a key role in the design and development of its computer based accounting systems.

● Aged under 40, you will currently be at either a senior managerial level with a major practice or at the centre of a multi-national group using sophisticated external and internal reporting techniques.

● You will have a strong technical bias, including ideally a knowledge of US accounting practices. You will also have the ability to command the respect of senior divisional executives, using your internal consultancy skills to form effective relationships and to work closely with them on a broad spectrum of major projects.

● Bass offers a significant package that includes share options, bonus and other benefits associated with a senior position.

Please write with full CV, including salary history and daytime telephone number quoting reference 3042/FT, to John Sleight FCCA, Phillips & Carpenter, 2-5 Old Bond Street, London W1X 3TB.
Tel: 071-493 0156 (24 hours).

Phillips & Carpenter

Selection Consultants

TREASURY REPORTING

An unusual opportunity for a young accountant with some exposure to the Securities sector to gain Treasury experience within the rapidly developing London operation of a US Investment Bank.

CITY

to £30,000 + bonus

As part of the firm's continued commitment to Europe, the Treasury function is in the process of expanding.

This strategic appointment will initially be concerned primarily with the strengthening and enhancement of management reporting for the funding aspects of existing and new products. Strong analytical skills and an interest in the development of computerised systems is essential.

As head of a reporting team of three, the role involves extensive liaison with the front office as well as with the Treasury funding team. To take full advantage of the opportunities in this fast-paced environment, it is likely that you will have a pro-active approach, a resilient character and the potential to pursue a broader career within Treasury.

If you want to be part of culture where performance really does influence reward, please contact Susan Milford at Carrington Heath, City Business Centre, 2 London Wall Buildings, London Wall, EC2M 3PP, quoting reference 148918.

Tel: 071 628 4200
(eve. 0483 37480)

CARRINGTON HEATH

Fax: 0483 576724

Audit Manager

North West

to £40,000, car, benefits

Highly autonomous, rapidly expanding retail division of circa £1.4 billion turnover UK Plc seeks talented finance professional to establish effective audit function to enhance management and financial controls. Ambitious young management team committed to achieve a turnover of £400 million through aggressive store opening programme and increased market share.

THE ROLE

Establish and develop effective audit service to retail, distribution, service and head office operations • Lead, develop and motivate dedicated professional team to enhance internal control systems and improve efficiency and profitability across all operational areas • Work closely with units to highlight and address critical business areas.

THE QUALIFICATIONS

Graduate Accountant, late twenties/early thirties, with exceptional record of professional and academic achievement. Personal stature and presence • Previous retail experience and exposure to substantial and complex organisations • Motivated, ambitious and excellent communicator. Credibility to work with and influence senior management.

Please reply in writing to BHM Search & Selection 27 York Place Leeds LS1 2EY enclosing a full curriculum vitae and quoting Reference BHM 10071. Telephone 0532 467033 Facsimile 0532 470191.

BHM
SEARCH & SELECTION

To £80,000 package
+ benefits

Multinational UK Plc

London

Group Chief Accountant

Rare opportunity for a high calibre Chartered Accountant within a complex, divisionalised quoted group with substantial overseas operations. The key challenges are to ensure best practice in group reporting, provide a first class forecasting service and support Group Finance in underscoring the atmosphere of tight financial control at the centre.

THE ROLE

■ Key member of a new Group finance team, reporting to the Group Financial Controller, undertaking a fundamental review of Group reporting and control. Creating a centre of excellence on Group-wide technical accounting issues supporting the Divisional Finance Directors.

■ Full responsibility for enhancing Group financial accounting and reporting. Supporting a major systems upgrade project as a key contact for third party advisors.

■ Leading a small Head Office team providing Group forecasts and budgets to allow identification of key performance measures and variances from budget.

THE QUALIFICATIONS

■ Outstanding 'big six' trained graduate ACA, aged early 30s+ with experience at the centre of a rigorously controlled complex international quoted Group.

■ Commercially-focused technical expert dedicated to establishing and maintaining exemplary corporate compliance. Highly IT literate.

■ An energetic, mature and positive individual with stature and credibility. A hands-on implementer with integrity, toughness and character.

Leeds 0832 307774
London 071 493 1258
Manchester 061 499 1700

Selector Europe
Spencer Stuart

Please reply with full details to:
Selector Europe, Ref. F009004L,
16 Cornhill Place,
London WC2R 2DQ

Head of Product Control London

Our client is a dynamic international bank which prides itself on remaining at the forefront of global product innovation and development. Responsiveness to continual change and the increasing complexity of derivatives trading necessitate the appointment of a Head of Product Control.

This high profile role is wide ranging, covering all aspects of financial control, business support, valuation and risk management for the Treasury, Capital Markets and Fixed Income businesses, with a future need to provide similar support to Equities.

Extensive liaison with the front office and the leadership and motivation of a large team will be essential to ensure that future developments, in addition to day to day

control issues, are effectively managed.

The individual we seek will be a qualified accountant who is a self motivated high achiever, with extensive experience gained in financial services. Strong derivative product knowledge, exposure to risk management, excellent interpersonal skills, a desire to influence the business and a flexible approach are pre-requisite to the appointment.

An excellent remuneration package, including generous basic salary and full banking benefits, reflects the seniority of this position.

Interested applicants should forward a comprehensive CV, quoting reference 183703, to Diane Forrester ACA, Executive Division, Michael Page Finance, 39-41 Parker Street, London WC2B 5LH.



Michael Page Finance

Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

Director of Finance

c. £55,000 + bonus + share options – Home Counties

For the European division of an internationally renowned consumer goods company with worldwide sales of £1bn+.

The brands are well established and heavily supported in the UK and on the Continent. New brand introductions and acquisitions are planned to maintain rapid growth.

• **RESPONSIBILITY** is to the President, Europe, for high standards of financial control, reporting, analysis, planning and information across the division combined with direct responsibility for the management of the UK finance function. There will be a significant involvement in corporate development and all major commercial negotiations.

• **THE NEED** is for a qualified accountant, educated to degree standard, with a proven record of senior financial management in an international group. Familiarity with GAAP reporting and fluency in Italian are highly desirable. Energy, rigour and a hands on style will be the hallmarks of the successful candidate.

Write in confidence, enclosing a Curriculum Vitae and quoting ref: T7733 to

TK

SELECTION

8 Hulam Street, London, W1N 6DJ Fax: 071 631 5317
A DIVISION OF TYZACK & PARTNERS

BROAD FINANCIAL AND COMMERCIAL RESPONSIBILITY

Full Business Involvement

Many advertisements claim the above. Our client can substantiate this claim through a role which demands a proactive commercial input and creative innovation.

As Financial Controller of this rapidly developing unit within a profitable division of a £ billion turnover brand name you will enjoy the following responsibilities:

- Reporting to the General Manager, you will provide overall financial direction and control through 4 staff
- A high profile role within the unit's management team, influencing commercial decisions and strategic business plans
- A wider involvement within the Divisional Finance team and the opportunity to play a key role in important developments

As a young qualified Accountant (likely age 27-32 years), your high level of financial integrity and technical ability are taken as read. The essential attributes which this opportunity demands include:

- Strong influencing skills and high level of personal and commercial credibility
- An innovative approach to business development and an ability to promote your own original ideas (as well as objectively evaluate those of other key personnel)
- A determination to progress within the organisation

The position is based in Berkshire but will involve regular travel throughout the UK locations.

If you are keen to pursue this exceptional career opportunity you should write to Karen Wilson, Director as soon as possible at FMS, 5 Bream's Buildings, Chancery Lane, London EC4A 3DY enclosing a recent CV and a note of current salary.

A MEMBER OF THE PSD GROUP

BERKS

£30-£35,000
PLUS BONUS
PLUS CAR

GROUP FINANCIAL DIRECTOR

Surrey

£65,000 + Car
+ plc Benefits



This research based pharmaceutical company has prescription products on the market in several countries, an internationally recognised series of OTC brands, and a strong pipeline of important innovative medicines. One of the smaller companies in the pharmaceutical sector listed on the London Stock Exchange, it has a Board of Directors of international standing and exceptional opportunities for future growth.

Reporting to the Chief Executive, you will assume full responsibility for financial affairs and be involved in preparing the company for major national and international development. You will have considerable involvement with the city and its institutions and with equivalent organisations in the USA. You will be responsible for advising the board of the financial implications of business decisions in all sectors of the company including R&D, manufacturing, marketing and sales.

The position is not a conventional processing role, but one which will attract and reward a graduate qualified accountant, probably but not necessarily in the age range 35-45, with experience of Plc financial management, ideally gained with companies which have important R&D and manufacturing activities.

Interested candidates should write promptly to Mark Rowley enclosing a full Curriculum Vitae, quoting reference MR453.

HARRISON WILLIS

SEARCH AND SELECTION PARTNERSHIP
39-40 Albemarle St., London W1X 3PD. Tel: 071-629 4463
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Product Analysis & Support – City

Exceptional Qualified Accountant £ Excellent Package

NatWest Markets holds a pre-eminent position in the world of corporate and investment banking. Comprised of nine highly successful businesses, our activities cover trading, corporate banking, asset management and specialist advice. We employ over 5,300 staff across 32 locations in 14 countries, supported by assets of £50 billion. NatWest Markets combines expertise with exceptional strength, energy and stability – a unique combination which is reflected in our continuous record of growth and success.

Our expansion has created a role within the middle office trading support function of the Securities Division. You will take responsibility for identifying the risks, proposing accounting policies and the periodic reporting for a discrete team of equity/derivatives traders. In particular, the position covers the control and assessment of ongoing and proposed business strategies. You must also possess the technical skills and the supervisory experience necessary to motivate and lead a small team and the confidence to liaise effectively with trading, taxation, legal and operations personnel.

Probably aged 26-32, you will be a qualified accountant with at least two years post-qualification experience of a banking environment. A significant proportion of this time must have been spent within a product control function. Alternatively, you may be working within Public Practice and have extensive exposure to financial markets. Strong interpersonal skills, a high degree of professionalism and the ability to work to tight deadlines will be essential. This high profile role will also require the competence to deal with senior management and to provide innovative solutions to business problems as they arise.

For further information, please contact our advising consultants, Guy Townsend or Brian Hamill of Walker Hamill Ltd on 071 287 6285. Alternatively, forward a brief resume to their London office at 29-30 Kingsly Street, London, W1R 5LB, quoting reference GT312. All direct responses will be forwarded to Walker Hamill.



NATWEST MARKETS
Corporate & Investment Banking

FINANCIAL CONTROLLER

SURREY

ATTRACTIVE SALARY AND PACKAGE NEGOTIABLE

For a fast growing private company with a current turnover of £15 million, which designs and supplies innovative products in the Auto Accessory, Auto Security and Garden Accessory markets, in the U.K. and mainland Europe.

Reporting to the Managing Director you will be responsible for the day to day operation of all aspects of the finance, accounting and systems functions of the company supported by a small accounts team and a systems manager. In addition to possessing strong cash and inventory management skills, the successful candidate should be able to report effectively and to advise non-financial managers on budgetary and control issues.

You will be 30 - 40, a qualified accountant, preferably ACMA, and highly computer literate. You must be commercially aware with good experience in a quality production environment where the customer is of top priority.

You will be lively and energetic with a strong interest in all aspects of the business and in working with line managers in a positive and supportive way.

Please send your career and current salary details, marked private and confidential to:



Barrie Martin
Managing Director
Metro Products (Accessories & Leisure) Ltd.
Eastman House
118 Station Road East
Oxted Surrey RH8 0QA

INTERNAL AUDITOR

SURREY

c.£25,000 + CAR + BENEFITS

Our client, a major service industry group in the business-to-business sector has an up-to-date approach to the role of audit in business.

Promotion of a present incumbent to a line role has created an opening for a graduate ACA to join the internal audit department as manager of the small young Head Office team.

Reporting to a Group Internal Audit Manager the role consists of supervisory responsibility for all audits, covering group systems at Head Office and field operations in the South, some of which will be carried out with direct participation and some assigned to other staff.

Probably aged 25+ with one or two years post qualification experience, self motivation, ambition and excellent interpersonal skills are a pre-requisite for the appointment. Benefits which include an in-house fitness centre are excellent as are personal development prospects.

Please write in complete confidence quoting Ref. DN394 to:

2000

SEARCH AND SELECTION

Executive 2000 Search & Selection
Sutton Park House, 15 Cornhill Road,
Sutton, Surrey SM1 4LD Fax: 081-643 8663

International TOR Rectifier

CHIEF ACCOUNTANT

Oxted, Surrey

Competitive Salary

Our client, is the £56m UK subsidiary of a multi-million dollar American hi-tech multi-national. International Rectifier is the market leader in the supply of power transducers to a wide range of 'blue chip' consumer, automotive and industrial clients, many of whom are household names.

With both historic and forecast year on year growth of 20-25%, International Rectifier's mission statement dictates worldwide revenue of \$1BN by the turn of the century. In order to accommodate this growth they are seeking a pro-active individual who has not only a strong technical background, but also the ability to improve the reporting cycles, aid in the implementation of advanced systems and manage the control of their treasury function.

The ideal candidate will be a qualified accountant with commercial experience gained either in a manufacturing or a service organisation. This is a superb opportunity to grasp a challenging role in a company which seeks to dominate its market and expand into new European and Worldwide markets.

Please send or fax details to Keith Tracy, Heathfield Hargreaves Ltd, 6 Bolto Road, Haywards Heath, West Sussex RH16 1BB. Tel: 0444 416636 Fax: 0444 416002.

HEATHFIELD HARGREAVES
LIMITED

London • Sussex • Northampton

FINANCE DIRECTOR**Kent****£40,000 + Car + Benefits**

Our client, a well established Public Limited Company in the financial services sector is now seeking to appoint a Finance Director.

This Main Board appointment will report directly to the Group Managing Director. Your brief will be to make a significant contribution to the development of the group's financial strategy and policies with other members of the Main Board. You will also be responsible for reviewing and developing the group's financial structure, together with ensuring that comprehensive controls and reporting procedures exist in all areas of the business. Additionally, it will be necessary for you to liaise with external advisors and regulatory bodies, as well as guaranteeing that financial information is produced accurately and to a deadline.

Candidates, with experience in corporate finance, should be aged 35 to 50, and have at least 10 years post qualification experience gained preferably in the financial services sector.

Please write, enclosing your CV and salary details to:-

Sylvia Adams,
Personnel Consultant,
Menzies Personnel Consultants,
Ashby House,
64 High Street,
Walton on Thames,
Surrey. KT12 1BW
Tel: 0932 247611

**CHIEF ACCOUNTANT****Central London****to £35,000 + benefits**

The Carphone Warehouse is the leading retailer of mobile communications equipment in the UK and is experiencing a period of rapid growth (t/o £40m). The company now seeks to recruit an experienced Chief Accountant to strengthen the finance function to accommodate the next stage of its development.

Reporting to the Finance Director, you will be responsible for the production of weekly/monthly management information and financial reporting to tight deadlines. Statutory accounts, budgets and a variety of project based assignments will be a major part of the role together with continual enhancement of strong financial and cost controls.

Candidates aged 35-50, are likely to be qualified ACA or ACCA and have a proven track record at senior management level within a multi-site retail environment. Candidates will demonstrate a strong work ethic and high level of experience in integrated financial/operational computer systems.

Candidates should forward their curriculum vitae to
Edward Charlton at Charlton Holden Accountancy,
12 Upper King Street, Norwich NR3 1HA. Telephone 0603 767675

**Finance Professionals****Liverpool**

This profitable, well managed Division of The Littlewoods Organisation plc has a turnover in excess of £1bn. The business is building on its success to date and pursuing new market opportunities. Committed to developing its staff, the finance team requires three key individuals for vacancies created by internal promotions.

**Financial Controller
Sales & Product Analysis****To £45,000 + Car & Benefits****THE POSITION**

- Provide product and outlet profitability information. Form key relationships with Buying and Merchandising Directors.
- Account for and analyse sales. Control stock accounting. Develop existing systems.
- Report to Finance Director. Manage team of 60+ including substantial accounts payable department.

QUALIFICATIONS

- Ideally early-mid 30's. Graduate calibre. Qualified CIMA or ACCA.
- Strong technical experience in stock control and product costing, possibly gained in manufacturing environment. Background in systems development and implementation.
- Excellent communication skills. Ambitious and capable of career progression.

Ref MN1038

**Systems
Accountant****To £33,000 + Car & Benefits****THE POSITION**

- Develop new integrated systems in line with finance function needs. Ensure data flow integrity.
- Manage small team. Liaise with IS department and users. Represent finance function in inter-departmental working parties.
- Develop flexible systems to meet changing business requirements.

QUALIFICATIONS

- Graduate calibre qualified accountant. Knowledge of systems design and implementation. Probably aged 28+.
- Specialist in large computer systems in an integrated environment. Oracle and Unix experience an advantage.
- Creative problem solver. Confident and articulate. Broad business awareness.

Ref MN1039

**Financial Planning
Manager****To £35,000 + Car & Benefits****THE POSITION**

- Control, co-ordinate and review financial planning of Division.
- Enhance corporate planning model and evaluate new business opportunities. Appraise major capital investments.
- Liaise closely with other departments on existing and new business profitability.

QUALIFICATIONS

- Graduate calibre qualified accountant. Commercial experience in large corporate environment with PC and mainframe modelling packages.
- Professional approach with excellent communication and presentation skills. Able to form relationships at all levels.
- Self-motivated with initiative and originality. Team player. Probably aged 28+.

Ref MN1040

Please send full cv, stating salary and quoting relevant reference, NBS, Courthill House, Water Lane, Wilmslow, Cheshire, SK9 5AP

Our client is an equal opportunities employer with an action programme.



Manchester 0625 539953 • London 071 493 6392
Aberdeen • Bristol • Edinburgh
Glasgow • Leeds • Manchester • Slough

Director of Finance**West of London****c£45,000 + car + benefits**

Our client is a privately owned company in the advertising/media field with a network of locations around the country.

A major policy change calls for close integration and control of the financial function at the centre. The initial task is to implement this change and institute and ensure appropriate procedures and controls. Thereafter the key tasks are to maintain tight financial management, acceptable reporting to the Board, and contribute to the overall direction of the business and its profitability. Additionally,

the job will embrace the Company Secretary function and include personnel administration.

Candidates should be experienced in financial management and systems within the service industry. They should display the strong inter-personal skills needed to carry through the policy change and contribute at Board level.

Please write - in confidence - enclosing a CV and details of current remuneration to Garry Long, ref: GL01, MSL International Limited, 32 Aybrook Street, London W1M 3JL.

MSL International
CONSULTANTS IN SEARCH AND SELECTION

**FINANCE
DIRECTOR
(DESIGNATE)****Central London****c.£65,000 + Exceptional
Benefits Package**

This group provides an innovative and creative approach to energy supply, management services and systems to a broad range of clients in both industry and commerce and has quickly established itself as an acknowledged leader in one of the fastest growing markets of the decade.

With substantial support and backing from major corporations, the organisation is poised to create and develop a clearly customer focused infrastructure impacting on its ability to further dominate throughout the UK.

This key appointment is seen as a vital step in promoting the role and impact finance will have in terms of future expansion, development and control. Reporting to the Chief Executive you will:

- Develop a professional and efficient finance function designed to clearly monitor, control and contain envisaged growth.
- Create and innovate ways in which finance can analyse and critique business driven issues focusing on client and market related initiatives.
- Devise strategies to financially drive operations within clearly defined corporate objectives.

You will be a graduate accountant, aged mid 30's with outstanding personal qualities who can demonstrate a significant level of achievement in a blue chip environment. You will command respect and credibility at Main Board level, display superior interpersonal skills and be seeking a role offering excellent rewards and future prospects.

Interested candidates should write to Charles Austin or Michael Herst, enclosing a full Curriculum Vitae and quoting reference CA454.

HARRISON WILLIS
SEARCH AND SELECTION PARTNERSHIP
39-40 Albemarle St., London W1X 3FD. Tel: 071-629 4463
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**FINANCIAL
ACCOUNTANT****c.£35k PACKAGE**

3i is a leading investment capital company, with £2.6 billion of assets invested in c.3,500 companies throughout Europe. Investing an average of £1.2 million each working day, 3i plays an important role in facilitating the expansion of small to medium size businesses and encouraging wealth creation. It is intended to seek a Stock Exchange listing for 3i later this year.

To augment our technical strength we now seek a Financial Accountant who will offer expert advice on the application of GAAP, Bank of England reporting and other statutory and regulatory requirements. You will be able to deputise for the Group Financial Accountant, to whom you will report and whose additional responsibilities include the preparation of statutory and published accounts.

You should have a good degree and be a Chartered Accountant with at least eight years' post qualification experience in a leading practice or large public company. You will also have a demonstrable record of achievement. This high profile role demands considerable professional credibility and good written and spoken communication skills. Experience in a Financial Institution would be an advantage.

An attractive financial sector package including comprehensive benefits and relocation assistance will be offered to the right person. If you think you should be on the short list, please send your c.v. and a covering letter to Paula Bates, 3i plc, Trinity Park, Bickenhill, Birmingham B37 7ES. Tel: 021-782 3131.



3i
INVESTORS
IN
INDUSTRY

**THE AFRICAN
DEVELOPMENT
BANK GROUP**

The AFRICAN DEVELOPMENT BANK, a Pan-African Development Finance Institution with membership of States from Africa and outside Africa with its headquarters in Abidjan (Republic of COTE D'IVOIRE) invites applications from candidates who are citizens of the 76 member states and are under 50 years of age, for the following position.

Financial Accountant

Candidates must be professionally qualified accountants with a minimum of 5 years experience in a comparative environment, a thorough knowledge of computerized accounting systems, and an in-depth knowledge and experience in swaps, hedges, bonds future and options. Proficiency in English or French, with a good working knowledge of the other, will be an advantage.

The Bank offers a competitive tax free salary package. Benefits include installation, dependency and education allowances, life and medical insurance, home leave and retirement plan.

Application with complete curriculum vitae indicating name, date of birth, nationality, present address, educational qualifications and employment history should be sent before April 30, 1994 to:

The Director
Human Resources
Management Department
African Development Bank
01 B.P. 1387
ABIDJAN 01
COTE D'IVOIRE

Telex : 23717, 23498, 23263
Fax : (225) 20.49.43
Tel : (225) 20.47.09 or 20.41.04

BUSINESS ACCOUNTANT**London****c£35,000 + Car + Generous Benefits Package**

Our client is one of the foremost investment management groups serving pension funds, international institutions and private investors. The organisation has an impressive growth record and is renowned for its ability to attract and retain staff of the highest calibre.

Internal promotion has provided the opportunity for a young accountant to join the group to manage a small management reporting and analysis team. The responsibilities of this important position will include financial forecasts, analysis and commentaries on the group's worldwide activities, together with ad hoc project work.

Applications will only be considered from Chartered Accountants aged 26-30 with an exemplary academic record and a minimum of two years post qualification experience. Preference will be given to candidates with extensive experience of special projects.

This appointment presents a unique opportunity to join a first class firm providing excellent career prospects.

For further information please contact Ken John on 071-831-2323 (evenings/weekends 081-542-3990), or write to him at Hudson Shribman, Vernon House, Sicilian Avenue, London WC1A 2QH (Fax 071-404-5773).

HUDSON SHRIBMAN

financial recruitment

**The
Top Opportunities
Section**

appears every Wednesday.

For advertising
information call:
Philip Wrigley
071 873 3351

**FINANCIAL MANAGER
BERKELEY BUREAU
GAMING PERSONNEL**

Our client, an International Casino operator have a vacancy for a Financial Manager in their Budapest office in Hungary. Applicants must have experience in international banking tax payroll, company accounts and be computer literate. In addition the person will probably be aged 30 to 45 years of age, with formal accountancy qualifications. The company will offer a negotiable salary, health insurance, accommodation and flights.

Please send C.V. and photo to Box 82310, Financial Times,
One Southwark Bridge, London SE1 9UL.

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Fax your C.V. today with day time contact number.

In confidence to 0262 678294 or telephone Ralph Clark

on 0262 400153.

the PMC Group

Accessing opportunities at the highest level.



Lucas

Lucas Industries plc is a leading international organisation providing advanced technology systems, components and service to the world's aerospace, automotive and applied technology markets. Lucas has a global T/O of £2.5 billion operating extensively in the UK, Europe, India, North and South America and with an expanding market share in South East Asia and The Pacific Rim. In 1993 Lucas increased performance and improved profitability by focusing on the most strategic elements of the business, and is now well placed to capitalise on its strengthening competitive position.

As a direct consequence, there are a number of exciting opportunities to join the international audit function operating from the corporate headquarters in Solihull, West Midlands.

INTERNATIONAL AUDIT MANAGER

- Reporting to the Director - Internal Audit with responsibility for reviews of UK and International operating units across the group with a T/O of £1.3 billion.
- Qualified Accountant with approximately 10 years PQE, recent Financial line management and a strong internal/external audit background.
- International travel of around 35%.
- Flexible individual who will play a key role in the development of the recently re-focused audit function.
- Excellent communicator at all levels with strong inter-personal and man-management skills.
- Must have the potential to progress to a Senior Financial line management role within Lucas.

SENIOR AUDITORS

- Qualified Accountants with up to five years PQE.
- International travel of around 70%, fluency in Spanish, French or German would be an advantage.
- Commercially aware with a Blue Chip or Big 6 background preferred.
- Comfortable in a manufacturing environment.
- Good communicator with strong inter-personal skills, a team player who is able to gain the confidence of Senior management.
- Candidates should have the potential to move to a Financial line position within Lucas in 2-3 years.

These are genuine career development opportunities and carry an appropriate, comprehensive remuneration and benefits package.

Please send a full CV to ADRIAN HINDMARSH at INTER-SELECTION ACCOUNTANCY RECRUITMENT, 65 Church Street, Birmingham, B3 2DP.

inter - selection
accountancy recruitment

Group Finance Director

Remuneration c£90,000

For an expanding and profitable Northern based PLC with turnover in excess of £200m, manufacturing industrial products in the United Kingdom and abroad.

- **RESPONSIBILITY** is to the Group Managing Director for the financial management of a multi-site manufacturing group, providing strong leadership at the centre and to subsidiary finance directors. The prime tasks are to ensure tight financial control of group activities, improvement of management information systems and strategic input at board level.
- **THE REQUIREMENT** is for a chartered accountant and graduate, aged 38-48 years, with strong all round professional and commercial skills and good intellect. While quoted company experience is not essential, candidates must be credible in a highly operational environment.

Please write in confidence, enclosing a Curriculum Vitae, quoting ref: E7721 to

TK

SELECTION

13-14 South Parade, Leeds LS1 5QS. Tel: 0532 426707; Fax: 0532 426888
A DIVISION OF TYZACK & PARTNERS

THE AFRICAN DEVELOPMENT BANK GROUP

The AFRICAN DEVELOPMENT BANK, a Pan-African Development Finance Institution with membership of States from Africa and outside Africa with its headquarters in Abidjan (Republic of COTE D'IVOIRE), invites applications from candidates who are citizens of member states and are under 50 years of age, for the following position.

EDP Auditor

Candidates must have an advanced university degree in Finance or Accounting, Information system and Computer systems. A minimum of five years in auditing computerized financial and information systems. A sustained record of performance in EDP auditing. Knowledge of specific audit methodologies and techniques: a) systems based auditing, b) flow - charting techniques, c) computer auditing, d) testing methods, e) operational auditing and f) attest auditing. Good inter-personal and communication skills, ability to work with teams, proficiency in English or French with a good working knowledge of the other will be an advantage.

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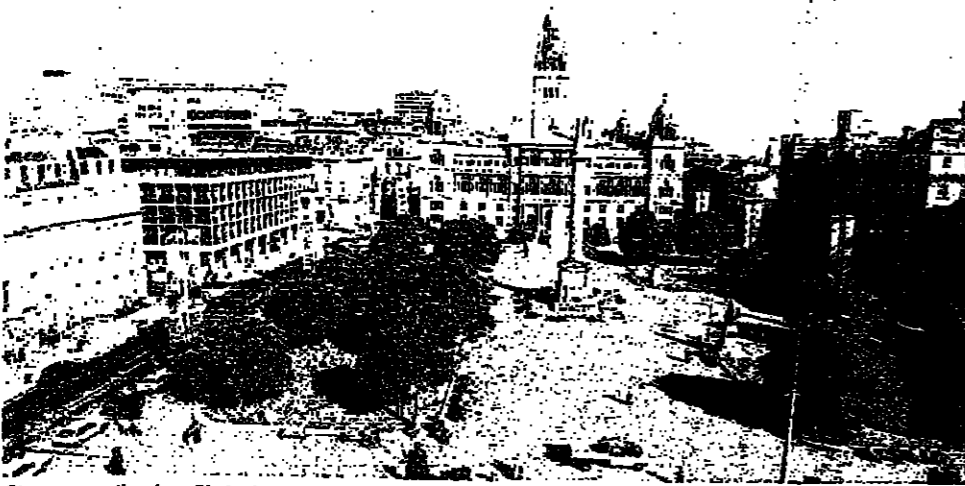
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SCOTLAND

Friday March 18 1994

The Tories seek radical change in the map of local government: Page II

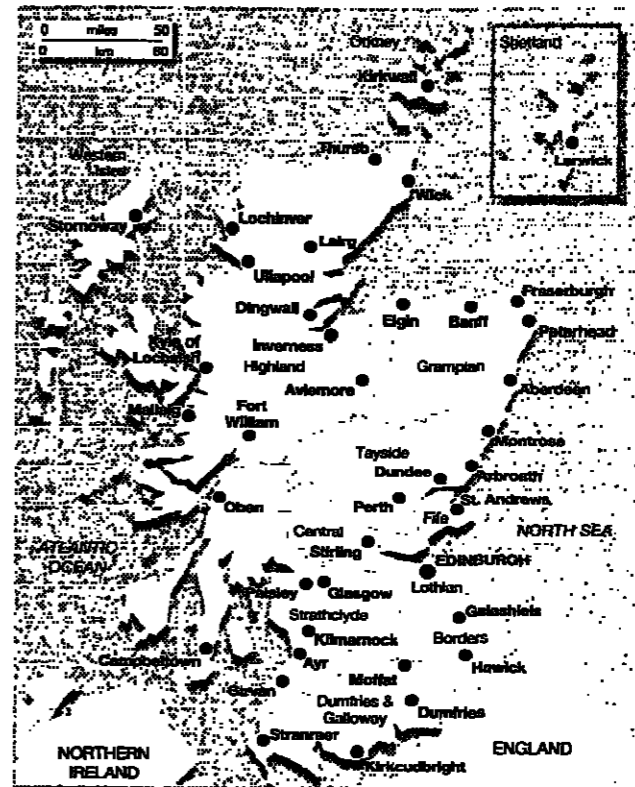
EU funding may bring a ray of hope to Highland economic gloom: Page IV



Glasgow, on the river Clyde, is Scotland's largest city and capital of the Strathclyde region.



Edinburgh, 66 km east of Glasgow, is proud to call itself Scotland's capital.



When John Major, the UK prime minister, looks through his cabinet papers it is unlikely that he needs to linger very long on those concerning Scotland.

After the turbulence in Scottish affairs which lasted from the late 1980s up to the 1992 general election, Scotland is today one of the few areas under the government's care that are almost trouble-free.

Its citizens are no longer in sullen revolt over the now defunct poll tax or other unpopular government measures. Nor are they engaged in hectic debate about Scotland obtaining its own devolved parliament - or seceding from the UK altogether.

Instead they are concerned with the more mundane issues of making a living during the economy's slow emergence from a recession which in Scotland was relatively mild, but which still made people who kept their jobs feel they were lucky.

The 1992 election was a watershed for Scotland. The Conservatives had made Scotland's constitutional future their main issue north of the border, campaigning against both devolution or independence proposed by their opponents. Because the party won the election nationally and was the only party in Scotland to increase both its number of

Scotland's economy has done better in recession than many other parts of the UK. Demand for constitutional change has gone quiet since the 1992 general election and the main political controversy now is over the proposed reform of local government. James Buxton reports

Nearly a trouble-free zone

seats and its share of the vote (marginally, but against all predictions), the movement for constitutional change was halted.

Yet Scotland is still governed by a party which won little more than a quarter of the Scottish vote at the general election.

The response of Mr Ian Lang, the Scottish secretary whom Mr John Major appointed when he became prime minister in 1990, was to call for a change of tone and a note of reconciliation in Scottish politics. He added then, however, that "the policies will remain the same but the pace and flavour of them will be tempered."

The government has become less confrontational and more deft in its handling of Scotland. It has slowed the pace of reforms to the Scottish education system, reached a truce with the schoolteachers and does not seem too concerned that only one secondary school has opted out of local authority control. After putting out to

public consultation the option of privatising the Scottish water industry, it backed off in the face of almost universal opposition.

Yet most health service hospitals in Scotland are administered by trusts or soon will be, and opposition to them long since became little more than ritual. The government, far from sheltering ScotRail, the Scottish arm of British Rail, from the full force of railway privatisation, intends it to be one of the first parts of the network to be franchised - but preferably to a franchisee with Scottish credentials.

The government no longer insists on appointing Conservative party supporters to every vacancy on its many quangos. Recently Mr Campbell Christie, general secretary of Scottish TUC, joined the board of a hospital trust.

The government's response to agitation for constitutional change was to produce a document which acknowledged that Scotland was a nation, and out-

lined ways in which the union of the United Kingdom could work better for Scotland. More administration is being devolved from Whitehall to the Scottish Office, and the grand committee of 72 Scottish MPs is to consider uncontested Scottish legislation and will be able to question ministers.

But the necessary changes to standing orders are waiting for the Labour opposition "to start behaving," in the words of Mr Lang, before they are debated and implemented.

It is a sign of the government's confidence that devolution is off the agenda that it wishes to dispose of the Royal High School, the building in Edinburgh which contains the chamber built in 1788 for a Scottish assembly.

One of Mr Lang's strongest arguments against a devolved parliament is that it would imperil Scotland's access to resources and decision-making in London.

Yet the fact that the Treasury and the Foreign Office

have been able to override the Scottish Office on the question of supporting Scottish salmon farmers in their dispute with Norway over alleged dumping shows that Scottish influence has its limits.

Many people are surprised that Scotland accepts, albeit grudgingly, policies which the majority of Scots oppose. Arnold Kemp, the editor of The Herald (formerly the Glasgow Herald) newspaper, gives this explanation in his recent book *The Hollow Drum - Scotland since the War*.

"Scotland is a nation so divided by regional jealousies and tortured by self-doubt, in which radical or socialist politics have never been able to form an enduring alliance with bourgeois or romantic nationalism, that it is easy for the UK ruling party to govern it without a majority of Scottish seats."

A good example of the way the government exploits those divisions shows in the lack of united opposition to the plan

to reform Scottish local government, replacing the existing two tier system with a large number of unitary councils. Mr Lang has not convinced many people that the new system will necessarily be more effective or more economical than the present one, but by offering many local communities their own single tier council he has set the representatives of the districts against those of the regions.

But Tory successes over policy have not translated into voting support. Two opinion polls published this month show support for the Conservatives in Scotland at only 13 per cent and 14 per cent, the lowest levels ever. For the first time, the Conservatives were in fourth place after Labour (46 per cent according to System Three), the SNP (25 per cent) and the Liberal Democrats (14 per cent).

It was a rotten augury for the regional council elections in May and the European elections in June. Mr Lang told the Financial Times that difficulties in popularity in Scotland related to the UK political situation and that the Tories no longer faced "hostility of the deep-rooted and very focused kind that we experienced at the last election."

The Tories are unlikely to benefit from the upturn in the economy because although

Scotland did not go deeply into recession, there is little confidence that things are decisively better.

"A lot of companies had unrealistic expectations of what recovery would look like," according to Mr Hamish Morrison, chief executive of the Scottish Council Development and Industry, which lobbies for economic development. "Their managers are keeping their heads down and are reluctant to spend or invest. That could defeat the vigorous recovery we would like to see."

It is a sign of how much the Scottish economy has changed in the past few years that the sector spearheading the recovery in output is the (largely foreign-owned) computer industry. Financial services are also doing quite well. The Ravenscraig steel plant (closed in 1992) and almost all Scottish heavy industry are only memories.

That perturbs many Scots - but does not matter, provided Scotland can break the cycle

by which it has consistently failed to generate enough new businesses and jobs, thus forcing people to emigrate to England or elsewhere and causing the Scottish population (now 5.1m) to decline gently. The chairman of Scottish Enterprise, Professor Donald MacKay, said recently that if, since 1986, Scotland had matched the rest of the UK in generating new businesses, it would have created 140,000 extra jobs.

That is why an initiative launched last year by Scottish Enterprise to help more Scots develop an entrepreneurial culture is so important.

As a member of Edinburgh's professional classes said recently: "For me the acid test of whether Scotland is really improving is whether my son, who is now 15, gets a satisfactory job in Scotland when he leaves university, or whether he has to board the train to London."

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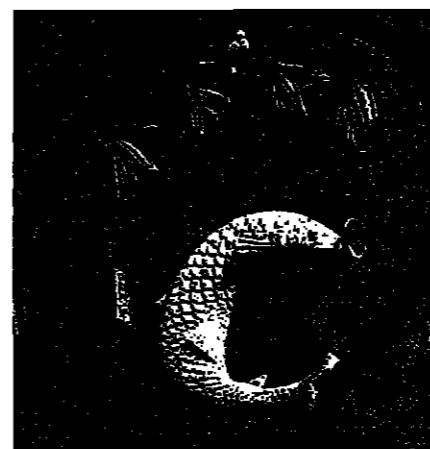
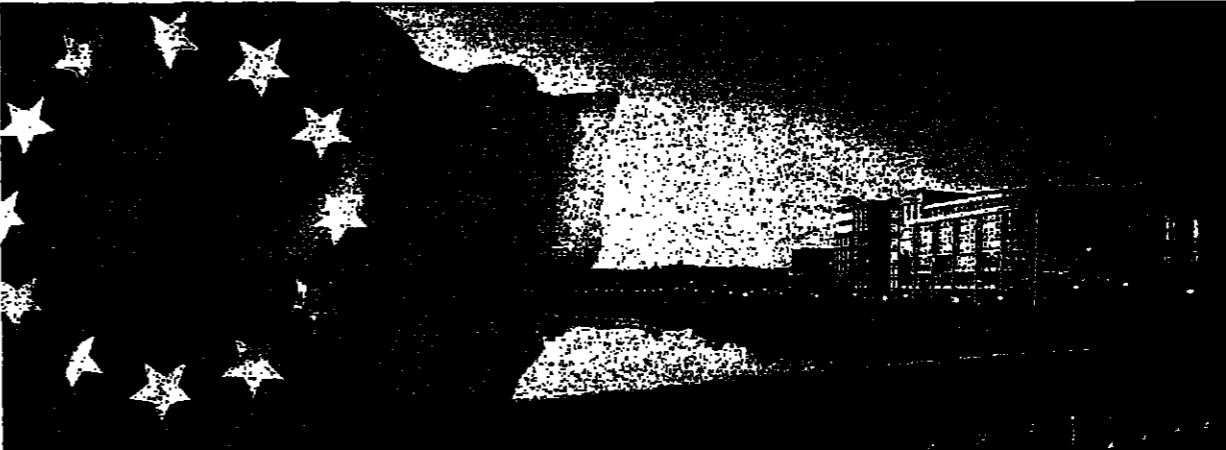
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SCOTLAND II

James Buxton examines the economy in the aftermath of recession

The cycle is different

"Scotland," says Mr Jeremy Peat, chief economist of the Royal Bank of Scotland, "tends to outperform the UK during a recession, but do less well, relatively speaking, when the UK economy turns up."

The first part of that remark is almost an understatement. Scotland had a remarkably mild recession in the early 1990s. As Professor Donald MacKay, chairman of Scottish Enterprise, the economic development agency, pointed out in a speech a few days ago, the Scottish economy showed greater resilience in recession than that of southern Britain.

Redundancies in Scotland, he said, had been lower, the rate of business failures was smaller, real incomes increased more rapidly, manufacturing held up better and retail sales were more buoyant.

To the amazement of seasoned economists, Scotland's unemployment rate was overtaken by the UK average in late 1991 and has remained below it - a phenomenon never seen since formal measurement of unemployment began in the 1920s. In January seasonally adjusted unemployment in Scotland was 9.4 per cent, compared with the UK level of 9.9 per cent, and unemployment in Scotland was worse only than East Anglia, the East Midlands and the South-West.

Just as Scotland never experienced the full force of the boom of the late 1980s, neither did it have to cope with the bust. Neither Scottish individuals nor Scottish companies became heavily indebted in the way that many in southern England did, and accordingly suffered much less when the economy turned down.

Scotland also suffered less, as Prof MacKay pointed out, because it had lost its smokestack industries in the 1980s and acquired, mainly through inward investment, a world-class electronics and information technology industry. In fact, if the category "electrical and instrument engineering" is stripped out of the official statistics, Scottish manufacturing output shows a worrying decline from mid-1991 onwards.

Yet shallow recession is still painful for many people and 9.4 per cent unemployment is far too high. It is hard to convince a Glasgow taxi driver, struggling to comprehend how the de-industrialised city now earns its living, that the disappearance of smokestack industries is anything but a tragedy and a betrayal.

The question now is whether the Scottish economy will follow its historic pattern, with its growth rate dropping below that of the UK, or whether some of the factors which made the recession in Scotland shallow will continue to preserve Scotland's relative buoyancy.

Most economic forecasters believe that gross domestic product growth in Scotland will lag slightly behind that of



Future perspective: a pedestrian access way to the exhibition centre in Glasgow

Picture: Tom Anderson

the UK in 1994 and 1995, because southern England has the capacity to expand faster. The average of six independent forecasts of GDP growth in Scotland for 1994 and 1995 suggest that in 1994 the Scottish economy will grow by 2.4 per cent against the UK's 2.6 per cent, and the gap will be much the same in 1995.

The report Regional Economic Prospects by Cambridge Econometrics is unusual in suggesting that Scotland's GDP

spending on infrastructure. Scotland is reckoned to have done relatively well in the 1994/95 public expenditure round. A big investment programme in roads is being kept up.

Every economy is a patchwork of light and shade. Prof Donald MacKay said in a speech last autumn that Scotland had over the 1985-1992 period matched the efficiency gains achieved by the UK economy, but had failed to main-

tenor's findings appeared to some to be unduly alarmist. Nevertheless his report was accompanied by the creation of the Scottish Electronics Forum, an unprecedented grouping of both multinational and indigenous Scottish companies which is working on ways of strengthening the industry's competitiveness.

Some senior people in the industry believe, however, that a change in government policy is needed, to give more encouragement to multinationals to carry out research and development (R&D) in Scotland, thus giving them deeper roots, and to support more innovation by indigenous companies to match the big grants available to companies which create jobs in large numbers.

These arguments do not find great favour with Mr Ian Lang, the Scottish secretary: "I don't regard inward investment as the only answer to Scotland's problems, or the only alternative to indigenous industry."

"I think our schemes do work because we are actually winning the battle on R&D, and getting more R&D, just as we are getting more inward investment, and we're doing it without buying it at a higher price such as other less competitive countries are willing to pay."

Scotland's dependence on inward investment was starkly underlined in a study of the electronics industry

growth will exceed that of the UK this year, though it says it will fall off next year.

The North Sea oil industry, which is another main factor keeping Scotland's economy up during the recession, achieved its highest output of oil since 1988 in January 1994, reaching 2.4 barrels per day. Output is expected to continue growing to late 1995.

But while forecasts by Scottish Enterprise of a marked downturn in expenditure by the offshore oil industry were recently revised upwards, the offshore fabrication yards are desperately short of orders.

Scotland, having done relatively well out of defence expenditure over the decades of the Cold War, is now suffering from the defence cuts. The Rosyth naval dockyard in Fife has seen its workforce fall from 6,000 in 1988 to the current level of 3,600, because of a diminished workload from the navy. Last year the government awarded the contract for servicing Trident submarines to Devonport instead of Rosyth, and although it allocated Rosyth surface ship work until 2005, Babcock Thorn, the yard's managers, say employment could by then have dropped to 2,200.

One potential bright spot highlighted by Mr Peat of the Royal Bank of Scotland is

tain its share of UK employment - if it had, another 140,000 jobs would have been created. "We have clearly failed to diversify existing businesses or introduce new activities," he said, pointing also to Scotland's low birthrate for new businesses.

This was despite having higher public expenditure per head than the rest of Britain, favourable treatment under regional policy, consistent success in winning inward investment and the benefit of North Sea oil on its doorstep.

Scotland's dependence on inward investment was starkly underlined in a study of the Scottish electronics industry by the US Monitor consultancy. It said that because the industry consisted largely of foreign-owned branch plants it lacked the ability to respond spontaneously to market opportunities.

It also said that sectors such as defence electronics were likely to be hit by the decline in defence spending; that future inward investors might find eastern Europe a cheaper location than Scotland; and that Scotland might miss out on future developments in electronics. If nothing were done and no new inward investors came, employment might fall from the current 45,000 to 27,500.

Andrew Bolger reviews the financial sector

'Quiet confidence' as recovery gathers pace

The financial sector, long one of the most vibrant parts of the Scottish economy, is in good heart.

Scotland's clearing banks have seen profits begin to surge as the UK's emergence from recession brings a drop in bad debts. Independent fund managers look back with satisfaction on booming world stock markets.

The main cloud on the horizon concerns the life assurance companies. They face regulatory uncertainty and difficult choices as to how best to market their products, now that competition from banks and building societies seems set to increase.

Mr Alfred Moon, a director of the Royal Bank of Scotland, the biggest clearer, feels "quiet confidence" as the country recovers from a downturn which arrived later than in England. Scotland has also avoided the problems of negative equity caused by the late-1980s property boom and subsequent crash in the south-east of England.

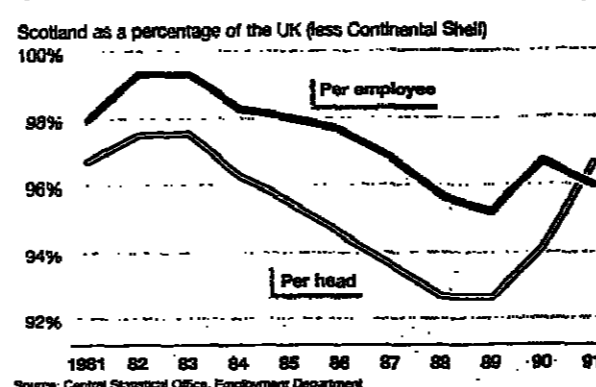
The Royal Bank intends to build on the success of Direct Line, its rapidly growing "direct-dial" motor insurer, by launching a new company specialising in sales of non-standard motor and home policies. The Royal also recently opened a new £2.6m dealing room in Edinburgh, geared mainly to offering capital market and foreign exchange services to its Scottish customers.

A slightly more cautious note is struck by Mr Peter Burt, treasurer and chief general manager of the Bank of Scotland, the second largest clearer. Although recession came later to Scotland, he believes it has by no means gone away: "There are still some after-shocks."

Lacking the Royal Bank's extensive network of branches south of the border, Mr Burt says the Bank of Scotland intended to concentrate further on developing niche markets such as credit cards, screen-based banking and venture capital.

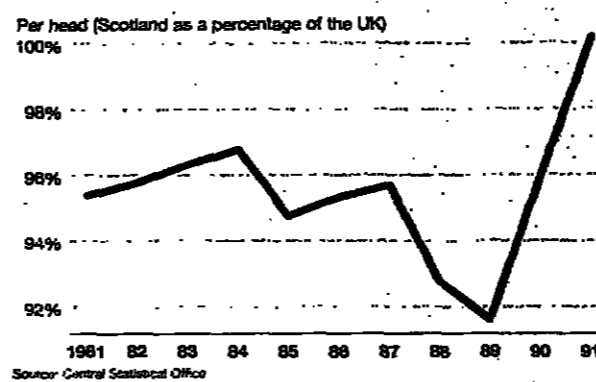
An ebullient mood prevails at Baillie Gifford, the independent Edinburgh investment management firm which has increased its funds under management tenfold since 1984 to their present level of more than £10bn. The firm has

GDP



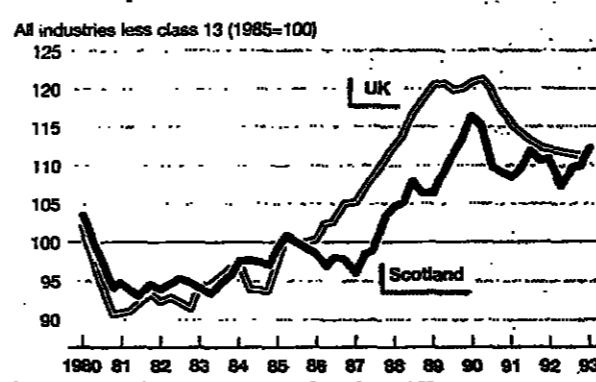
Source: Central Statistical Office, Employment Department

Personal disposable income



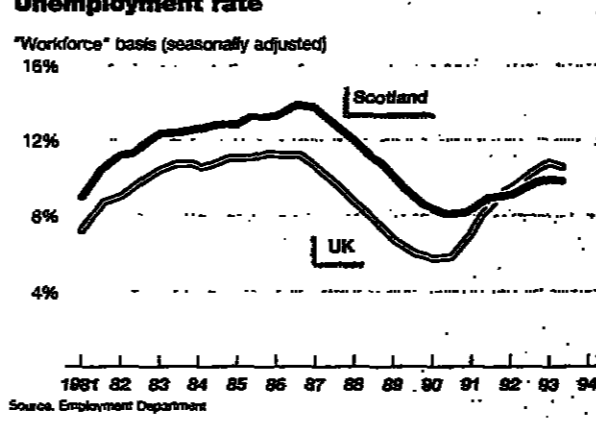
Source: Central Statistical Office

Index of production and construction



Source: The Scottish Office Industry Department, Central Statistical Office

Unemployment rate



Source: Employment Department

LOCAL GOVERNMENT

Tories redraw the map with ease

The map of Scotland is about to be changed by a bill which has so far passed with surprising ease through the standing committee considering it in the House of Commons. The bill will replace the current two-tier structure of local government with a system of single-tier authorities.

It will also remove management of water and sewerage out of the hands of local authorities and entrust it to three new water authorities under boards appointed by the secretary of state. There are no plans to privatise Scottish water, but the private sector will nevertheless be heavily involved in upgrading the water and sewerage systems.

The Conservative government signalled its intention of reforming Scottish local government in 1991, put out a detailed consultation paper in 1992 and last July presented its plans in a white paper.

Chief target is Strathclyde regional council which deals with 2.2m people

The white paper said the government intended to abolish the current system of nine regional and 53 district councils, and replace them with 25 unitary authorities. The three unitary island councils would remain unchanged, making 28 councils in all.

All Scottish political parties have said they favour moving to a single tier system, but for the Labour, Liberal Democrat and Scottish National parties the move would accompany the setting up of a Scottish parliament.

The government wants to modernise local government partly to take account of the fact that local authorities are gradually providing fewer direct services themselves. From a party political point of view the Conservatives want to weaken the dominance of Scottish local government by the Labour party.

The Conservatives' chief target is Strathclyde regional council which, because of the unbalanced drawing of the last new map in 1974, deals with 2.2m people, nearly half the Scottish population. As well as being assertive in dealing with the Scottish Office, Strathclyde is, to the Tories, irredeemably Labour.

Mr Ian Lang, the Scottish secretary, recently argued in the quarterly journal Scottish Affairs that the current structure, in which regional and district councils have powers which occasionally cross-cut, was complicated, illogical and expensive, partly because of the inadequate power of the councils. Some regions, he said, were too big to be effective, some districts too small; and they lacked independence because of councils' shared responsibility.

The consequence, he said, was lack of public interest in local government, shown by low turnout in elections and the lack of public affection for the 1974 structure, especially the regions.

Under the white paper proposals Strathclyde would be broken into 10 councils while the eight district councils in the Highlands would disappear, leaving a single authority based in Inverness. Apart from losing control of water the new councils would be expected to form joint boards with neighbouring authorities to administer such things as police and fire services. Some councils might administer certain services on behalf of their neighbours. The new councils will be elected in 1995 and begin operating in 1996.

The main public reaction to the white paper was outrage at the way the new map appeared to protect those areas where Conservatives commanded a majority (such as Striding, Ayr and Eastwood, to the south of Glasgow) by creating councils with smaller populations than their Labour-dominated neighbours, giving rise to the claim of gerrymandering. (Yet senior Scottish Office officials are said to have been surprised that the government did not go further in drawing up boundaries to Tory advantage.)

Apart from that, many people were perplexed that there is again to be change only 20 years after the 1974 reform. Professor Arthur Midwinter of Strathclyde University, a specialist in local government, argues that the two-tier system has worked well and that the white paper proposals would not necessarily make local government more accountable, or

engender greater local loyalty than the present system. Above all, he says, if the government wants both to have effective local government and to achieve substantial efficiency savings it should set up not more than 15 authorities.

The proposed structure, he says, will lead to greater centralisation because most of the councils would be too small to be viable. Small authorities would have difficulty providing all the services required, and bigger neighbouring councils might be unwilling, for political reasons, to help them out. Joint boards would lack the democratic legitimacy needed for decisive action.

Labour-controlled Strathclyde region argues with some force that it offers considerable economies of scale in administering such services as education, police, fire, and transport over a very wide area. It operates the biggest passenger transport authority in Britain with British Rail providing an efficient and expanding commuter rail service whose coherence could be jeopardised under a large number of councils.

Lothian, a much smaller region which is nevertheless to be split between Edinburgh and two other councils, has also put forward a case for a single unitary authority.

So far the only major concessions the government has made during the passage of the bill are on the boundaries of the new councils. Ayrshire is to have three councils instead of two, Inverclyde is to be carved out of West Renfrewshire, and Berwickshire is not after all to be merged with East Lothian. These changes, which make the gerrymandering charge slightly weaker, took place partly because of pressure from local Tories. But they mean that (including the three island councils) there will now be 30 new councils instead of 28 and Strathclyde will now be broken into 12 not 10 councils.

Mr Lang, asked by the Financial Times whether the reform would lead to savings and "big improvements" in the cost of

Mr Lang says he finds that local government reform is a popular change

local government, said it was "largely driven by the wish to create more efficient, more coherent, more accountable local authorities. I'm certain there will be savings of some substance as a worthwhile side-benefit. But it's driven by the natural allegiances, the history and traditions, Scottish geography and demography."

He added that the strength and diversity of what we are proposing will result in having a single tier with a clear focus for the delivery of local services. The fact that we are able to contemplate savings which could amount to £1bn over a 15-year period is tremendous.

Mr Lang said he got the impression when he travelled round Scotland that the local government reform was a popular change. "Let's be honest. A lot of people don't worry too much about how their local government service is delivered as long as it's delivered efficiently. If they stop to analyse why it's delivered inefficiently and expensively in many cases it's the result of the duplication and bureaucracy and the expense and inefficiency that two-tier structures bring."

James Buxton



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An artist's impression of the bridge under construction from the Scottish mainland to the Isle of Skye - visible symbol of government determination to push the private sector further

Tom Lynch looks at government efforts to increase the private sector in the economy

High tolls over the sea to Skye

The bridge reaching out from the mainland to Skye is the most visible symbol of the government's determination to push forward the frontiers of the private sector in Scotland.

Those frontiers will not be cheap: the bridge will have the highest tolls in Britain. Supporters of the project say that people pay for the less convenient ferries in any case, and that the bridge will be toll-free when the contractors pay off the cost of building it - some time in the next 20 years.

Opponents say the bridge should be part of the roads system. They point to the low tolls on other bridges and lament the government's abandonment of its 1979 policy that the islands should not be disadvantaged by high transport costs.

The bridge is being built by a joint venture between Miller Construction, a privately

owned Edinburgh company, and Dykerhoff Widman. The consortium will operate the bridge and collect tolls.

The scheme symbolises the government's determination to pursue its policies in a country where it is increasingly acclimatised to being a political minority. For example, only one tiny (80 pupils) school has voted to opt out of local authority control - and a strenuous political campaign, including intervention by the Sunday Times newspaper, failed to get the government a result at Paisley grammar school last year.

In England and Wales, contracting out of local authority services had a high profile through the 1980s. Right-wing councils such as Wandsworth in London enthusiastically privatised service provision. In Scotland, there were no Wand-

sworths to blaze trails in the Labour-dominated local government scene, but compulsory tendering has brought a steady rise in contracting out.

As in England and Wales, the electricity industry was sold. ScottishPower and Scottish Hydro Electric are regarded as the flagships of Scottish privatisation, realising £3.5bn, but water and sewerage were not. They were too firmly locked into the local authority structure (and the ultimate commercial sanction, disconnecting a household, is unlawful in Scotland).

Almost all the factory portfolio of the Scottish Development Agency, now re-formed as Scottish Enterprise, was sold in 1990, and £50m-£60m a year in assets in the five new towns are being sold in preparation for their winding-up by 1996.

The next move in privatisation

is likely to be Scotrail, one of the first seven British Rail franchises to be offered. The government hopes that this will be run by the private sector by early 1996.

The Scottish rail network is nearly self-contained: 95 per cent of services run entirely within Scotland. It is this which has impelled potential bidders to lobby for the franchise holder to have control of the track, as well as for the services. This vertical integration is strongly opposed by Railtrack, which is to take over ownership of BR's track and signalling, but there have been indications that the government may be sympathetic.

In the Scottish Office - subjected to market testing, like the rest of the civil service - a steady £10m-£15m a year of work is being contracted out. The department has few large

blocks of work to hive off: most management units employ fewer than 50.

Scottish Enterprise and its equivalent, Highlands and Islands Enterprise (HIE), and other quangos such as the Scottish Tourist Board are required to contract out services where possible. HIE has even contracted out its investment appraisal.

Steps are being taken to change the law to allow prison privatisation, legalised in England and Wales in 1990.

State-owned bus operations have been sold and privatisation of council-owned fleets is well under way, but privatisation of Caledonian MacBrayne, the islands ferry operator, was rejected. KPMG is reviewing Scottish Office subsidies for all shipping services and is expected to report, within the next two months, on the scope for

private sector involvement.

The forestry industry (important in Scotland, overseen by the Scottish Office) is also under review. Outright privatisation is thought to have been rejected by the ministerial working group. It is expected to report later this year in favour of increased private sector participation.

The local government reform bill, currently before parliament, provides for three new state corporations to run all water and sewerage from 1996. Lack of private sector expertise in the area means that English and French companies are prominent in offering the sought-for private investment: councils are discussing, with private sector consortia, about a dozen "build, own and operate" schemes for sewerage provision valued at £1bn. However, there are hopes that Scottish utilities may take an interest.

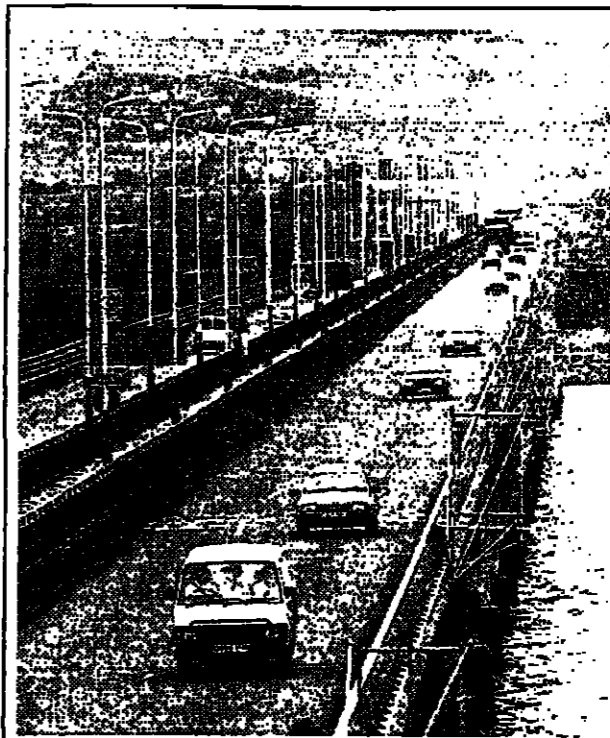
This new stress on private participation in the public sector, spearheaded by the government's private finance initiative, is allowing the pace of privatisation in its broadest sense to accelerate in Scotland. The increase in tempo poses a challenge for Scotland's private sector. Because contracting out has been slow to get off the mark, Scottish companies are less likely than their southern colleagues to have the bidding expertise.

Current uncertainty over transfer of undertaking rules - the EU directive which protects the rights of workers whose jobs are contracted out - is having a particular effect on smaller companies thinking of bidding for some of the packages of work on offer.

Mr Peter Fleming-Wilson, former chairman of the Cleaning and Support Services Association, says it is difficult for contractors to decide whether it is sensible to bid, when even taking counsel's opinion on whether the rules apply is expensive. He believes a pattern is beginning to emerge, although contractors still have to do their homework.

Neither does he feel that all

councils are as helpful to contractors as they might be. True, the Scottish Office has seldom found grounds for intervening in tendering exercises, and no direct labour organisations have been closed down, as has happened in England. Tendering will be slowed during local government reorganisation.



The Tay road bridge south of Dundee

Photo: Tony Andrews

High road, low road

The reform of local government may spark more opportunities for the private sector: the new smaller unitary authorities will not have the capacity to take over from the large regional councils in maintaining principal roads.

Some of these roads are likely to become government-managed trunk roads. It is not yet clear how maintenance of this bigger trunk network will be organised, but the government may want to expand routine maintenance contracts into more ambitious maintenance and management contracts.

It is possible to envisage a contracting consortium building a road and delivering it ready to operate (a national road charging system would allow payment according to how quickly the road was ready for traffic), followed by a management contract with another consortium. Current government thinking means that, probably, the element of risk-sharing would be increased.

New road schemes are being explored - a potentially large amount of road building, given the size of Scotland's trunk network.

● Four consortia are interested in building a second Forth Bridge - the need for which is a matter of some controversy. Any new bridge would be associated with improved road and other transport links from the bridges and the airport to Edinburgh.

● A new road link between the M8 Glasgow-Edinburgh motorway and the main M74/M6 cross-border road is also under consideration, together with improvements to the Kincardine Bridge across the Forth between Edinburgh and Stirling.

● Another potential opportunity is the proposed national driver information system for Scotland (the government is currently engaged in a consultation exercise about this). Upgrading of the electronic information system around Glasgow is proposed, and the creation of a new system in the Edinburgh area.

Officials claim that the Scottish Office's integrated structure allows it to plan important road developments without the tensions surrounding similar schemes under discussion in Whitehall.

Tom Lynch

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FT 12/7

SCOTLAND IV

Aberdeen

North Sea learns to live with low tide

North-east Scotland has learned to live with the oil industry, which has set it apart from the rest of the UK economy, producing local booms in times of national recession and local recession when the good times are rolling elsewhere.

Now the UK economy is struggling out of recession as the North Sea suffers another employment downturn, but there is cautious optimism in the area (Aberdonians are unfamiliar with reckless optimism) that the north-east is not about to head off in the other direction again.

Professor Alec Kemp, of Aberdeen University's economics department, says North Sea employment probably peaked in 1991 and is falling slowly. The combination of the current very low oil price and a high production cost per barrel because of lower production levels from oilfields developed in the 1970s has, he said, pushed companies to look for ways to economise.

Many new fields are smaller and require fewer people. Exploration drilling has slowed since last year's petroleum revenue tax changes.

Mr Tom Snowling, economic research officer with Grampian regional council, agrees that the oil companies, learning from the mistakes of the 1970s and 1980s, are much more cost conscious – a far cry from the industry's free-spending days, when oil companies paid top rates for the skilled people on whom traditional fishing and farming, paper and textiles industries had relied.

Technology has helped. New drilling techniques mean fewer platforms are needed to get the oil out, and smaller crews are needed for the platforms. For example, Total's Dunbar jacket and topside is designed for a crew of 16, a fraction of what would have been needed 10 years ago. Hook-ups of platforms are now done with a few hundred people (a legend of the 1980s is of 3,000 people on one platform, where there was standing room only).

But it is thought that only about a third of the 27,500 offshore workers live in the area: most live in central Scotland, north-east England and further afield. Prof Kemp says

the effect on the local economy of the offshore slowdown will be offset by continuing relocation of high-skill, high-wage personnel.

Intense local lobbying helped push the Department of Trade and Industry last year to relocate to Aberdeen part of its petroleum exploration directorate. That, says Professor Kemp, will have a knock-on effect in relocation of oil company personnel who have to deal with the DTI on new field development and field abandonment.

There is also, he says, a continuing movement of oil-related companies to the north-east simply because it is still cheaper than south-east England and more cost-effective to be nearer the activity.

One change in the industry which could have long-term implications is the trend, among oil producers, away from engaging a large number of specialist contractors, towards partnership agreements with a small number of prime contractors.

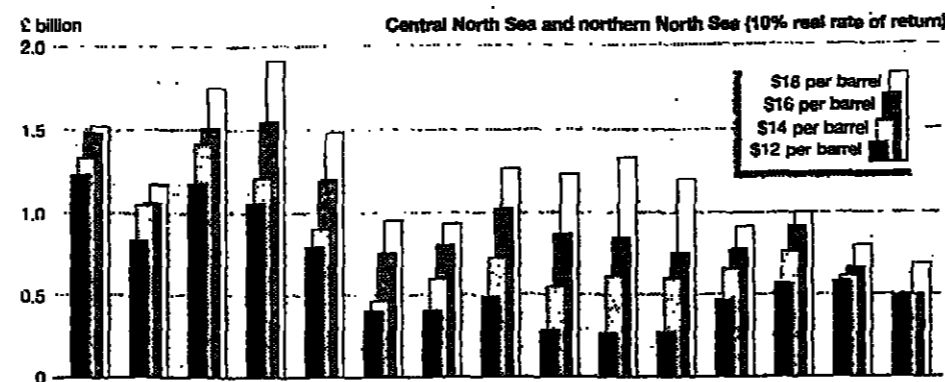
The bigger service companies are now signing long-term arrangements with operators where, says Sir Ian Wood, chairman of John Wood Group, Scotland's largest private company, "they are helping an operator drive his business. We sit down with the operator and try to understand what he wants to achieve and work with him in ways in which we share in his risk."

Five years ago his company would have sought a straightforward maintenance contract on one platform. Now it will negotiate, with an operator and five or six specialist subcontractors, a design, construction and maintenance programme on a number of platforms.

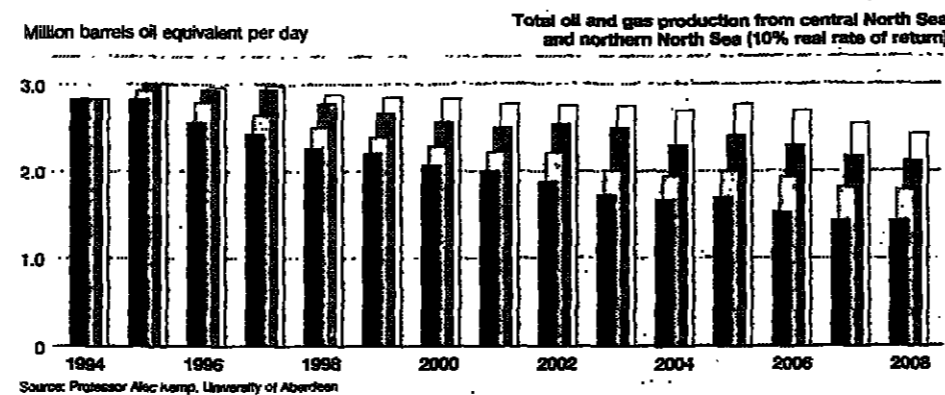
This, he says, has cut costs. In the longer term, such companies could diversify into other areas, such as power generation, and should have the size and expertise needed to operate in the international oil marketplace. Sir Ian talks of consolidating a "mini-Houston" in north-east Scotland.

Sir Ian, who is also chairman of the government-backed economic development body Grampian Enterprise, acknowl-

Total capital expenditure



How the oil price drives production



Unemployment by travel-to-work area (December 1993)					
	Males	Females	Total	% rate	Change since November
Grampian	10,438	3,466	13,904	4.8	+478
Scotland	184,070	52,444	236,514	8.3	+2,364
UK	2,146,045	636,651	2,782,696	9.9	+13,256

Source: Economic Development & Planning Department, Grampian Regional Council

edges that an economy based on a wasting resource has to look to its other industries.

The Aberdeen area, he says, "has become an uncomfortably unbalanced environment". A generation has grown up in Aberdeen that has not known a time without oil. Traditional industries have had to cope with a higher cost base than anywhere else in Scotland.

Both he and Mr Derek Maronch, chief executive of Aberdeen Chamber of Commerce, believe oil has helped the area's other industries by making the business climate more competitive, risk-aware and generally sharper.

Mr Maronch talks of an economy working on two levels, with those outside the oil industry struggling in an area where oil drives housing and other costs – but he believes there are probably more second earners than there are elsewhere in Scotland.

As a high-wage area, the way to survive has been to work at the quality end of the market – always the case for an area whose distance from the main marketplaces means high

transport costs. For example, the area's four paper mills produce about 600,000 tonnes of paper and board a year, about 10 per cent of UK output. But 400,000 tonnes is high-value printing and writing stationery, about 20 per cent of the UK total.

Although they are in the same industry, the four mills are not direct competitors, which allows them to co-operate in areas such as training.

Mr Ed Gillespie, general manager at Arjo Wiggins's paper mill on the outskirts of Aberdeen, acknowledges conflict with oil in the labour market, especially in the early 1980s. But now the oil industry is training more of its own people, while both industries have cut labour demand through technological change.

He has noticed that men in their 30s and 40s, tired of the rigours of the North Sea and anxious to spend more time with friends and family, are coming back to onshore industry. His recent move from five-and-a-half to seven-day working created 70 jobs, for which 1,500 applied – although he did

not advertise the vacancies.

Mike Stephen, group managing director of Grampian County Food Group, a large-scale pork and chicken producer, says oil took away "a lot of young lads who would have worked on the farm or driven trucks," but agrees that "it's not every married man with a family who wants two weeks on and two weeks off".

But difficulties in getting process labour are pushing his company harder to find technological improvements, although much of his process labour is female, for which there is less competition.

His company is an example of how food production, that most traditional of all industries, is becoming concentrated in a small number of large companies – driven, he says, by hygiene regulations. Turnover is up from £1m in 1980 to about \$18m last year and, like other dominant food processing companies in the area, it is under local ownership. The area is strong in locally-owned premium food brands, such as Baxters of Speyside and Walkers of Aberlour.

But behind the big, successful food companies there are also small traditional farms whose finances have recently been fragile. And it is those family farms which underpin the economies of small towns and villages throughout the area, where the eventual loss of oil industry workers can be expected to hit very hard.

Tom Lynch

The Highlands

EU funding may be a ray of hope in the gloom

The far north of Scotland has always had too many of its eggs in too few baskets, according to Mr Sandy Brady, director of strategic planning for Highlands and Islands Enterprise (HIE).

This harsh truth has been cruelly underlined by the rapid shutdown of the two large oil rig construction yards which brought considerable prosperity for most of the last 20 years to communities around the Moray and Cromarty Firths.

The speed of the downturn is alarming. The McDermott yard at Ardersier, near Inverness, now employs just 50 people on a care and maintenance basis – down from a peak of 3,500 at the beginning of 1992. The Highland Fabricators yard at Nigg in Easter Ross still has enough work for 700 people – but that is down from a level of 2,000 in 1992.

Mr Brady is optimistic that orders will return to the yards, although changes in technology mean employment levels are likely to be more modest. But policy makers must also face the possibility that – like the closed aluminium smelter at Invergordon – the era of the big oil rig yards is coming to an end in the Highlands.

The more diversified Inverness economy has coped relatively well with the downturn, although unemployment has crept up to 12 per cent (high, but still below the Highland average). The impact has been much worse in the Nairn and Forres area, where unemployment is 19 per cent, and Easter Ross, where it is 16 per cent.

Job shops and retraining have helped an estimated 500 workers find short-term contracts offshore or overseas, which has helped keep money coming into the local economy and prevented a crash in property prices. Many others are thought to have left the area.

However, the loss of lucrative blue-collar work will continue to be keenly felt – particularly in Easter Ross communities such as Alness, which attracted immigrants from the central belt of Scotland and beyond to work in the now-defunct smelter.

Looking back on the coming of the rig yards, Mr Brady says: "We would have preferred to have had 40 small-scale enterprises, but that was not an option we were offered. The ideal pattern for the Highlands is much more diverse than we have had."

A ray of hope in this gloom is the recent designation of the Highlands and Islands as one of the European Union's poorest regions for the purpose of economic assistance. It means the area could attract £260m over the next six years.

Mr Brady says this decision, long lobbied for by the HIE, offered the chance for a one-off improvement in the infrastructure.



Glass making in Caithness

Picture: Highlands and Islands Enterprise

Putting themselves in the same category as the – mainly southern – EU countries qualifying for maximum EU funds was uncomfortable for officials at HIE, who have long stressed the area's high-technology potential.

However, they could stress the region's remoteness. One key indicator was sparsity of population, which is the lowest density in the EU. Only 2 per cent of the land is arable.

Since remoteness was such an important reason for win-

season seemed to be much better.

HIE aims to extend the season, lengthen accommodation occupation levels and encourage visitors to travel more widely. Mr Brady says: "Autumn tourism is good, with significant activity in October. We must concentrate on the spring, which is only busy around Easter."

By giving employment for about eight months a year, HIE hopes the local population will see local tourism offering practically full-time jobs.

The salmon farming industry, which employs more than 6,000 people and has brought much-needed work to even the remotest areas, is a particular area of concern.

A recent study of Norwegian salmon farming by Ernst & Young, the accountancy firm, concluded that over the past five years the industry has enjoyed a 20 per cent subsidy on its cost of production from the Norwegian government.

Because of a surge in Norway's production, salmon prices in the EU have collapsed well below the break-even point of many Scottish producers. Some 85 per cent of Norwegian salmon is exported to the EU. Brussels recently lifted the minimum import price to £2.74 a kilo, but Scottish farmers say this is still insufficient to restore their profitability.

Mr Brady says: "We have tried very hard to put pressure on in Edinburgh, London and Brussels but it is not an issue over which the UK government wants to have a stand-up fight with the Norwegians."

Andrew Bolger

'Not an issue to cause a stand-up fight with the Norwegians'

ning the EU cash, there is understandable concern in the more outlying areas that the cash should get to them – and not just be funnelled into Inverness and its catchment area.

To avoid uneasily squabbling, it seems likely that the funds will be allocated on an area basis, with local committees choosing which of the range of possible projects should attract support.

Increased attention will certainly be paid to tourism, which already accounts for 20 per cent of the region's gross domestic product and employs about 20 per cent of its total workforce. Tourism, Mr Brady says, has enjoyed slow but steady long-term growth, although this had been masked in recent years by global recession and a run of poor summers. Winter sports had also suffered two bad seasons: this

Food exporters demand a national trade mark, writes Alison Maitland

More than whisky galore

Wild heather moors. Clear mountain streams. Deer and cattle roaming freely in hills and glens.

Such are the images mentioned when foreigners are asked what Scotland means to them. Harnessing these visions of unbridled nature into something commercial, and seen like trying to sell Scotch mist in a bottle, but the leaders of Scotland's food and farming industry are intent on doing just that. They want to create a trade mark to promote food and drink products for their purity and quality.

The National Farmers' Union of Scotland, which has initiated quality marketing schemes for several agricultural sectors, says the Scottish Quality Mark would emulate the Appellation Contrôlée system for French wine or the Woolmark for knitwear.

In January the government gave the go-ahead for a business plan showing how the quality mark would operate. The plan, which should be ready by the summer, follows a report by the government-appointed Scottish Food Strategy Group.

Mr James Miller, chairman of the group and of the Dundee-based supermarket chain, Wm Low, says the mark would probably first be used for sales in the UK and selective continental markets where Scottish produce has a particularly good image. These include Paris and other big French cities, southern Germany and northern Italy. The report says that, while Scottish salmon and whisky are well-known, "the level of perception of the general range of Scottish food products remains low through-out Europe".

Farming experts say the country needs aggressive marketing because of the drawbacks associated with its natural advantages. If it is remote from pollution, it is also remote from the cities where most of its potential customers live. Targeting markets will be all the more important as the EU's Common Agricultural Policy reforms prepare hitherto protected European farmers for exposure to world market forces.

Livestock products account for 45 per cent of Scotland's agricultural output. But compared with the rest of the EU, all the 'value added' to the French," he said. "It would make a lot more sense for us to do the processing here."

About 15 per cent of Scottish beef is already being sold through a scheme guaranteeing its quality. The Farm Assured Scottish Livestock scheme, promoted by the NFU, puts 500,000 lambs and 78,000 cattle to market each year.

Quality assurance schemes provide codes of practice for farmers and standards for processors on, for example, animal welfare, feeding, chemical inputs, hygiene and slaughter.

The product's history is traceable back from the supermarket shelf through processing to the production stage. "Consumers want to be assured that farming is environmentally friendly," says Alastair Alexander, NFU marketing director.

Scotland already has schemes for pork, salmon, trout, cheese and venison and others are planned for cereals and soft fruit. The financial advantages can be considerable. Consumer research showed that 76 per cent of consumers were prepared to pay more for Scottish salmon with the "Tartan Mark" guarantee of quality. This salmon was the first foreign product to be awarded the "Label Rouge" – a French mark of superior quality – in 1991 and commands a premium of 10 to 12 per cent above other Scottish salmon sold there.

But introduction of a single Scottish quality mark faces

potential obstacles. It must be accepted by leading retailers, who may be sceptical about its usefulness, said Mr MacRae.

"I can see some retailers saying: what is the quality mark doing for us? It needs to have a decent amount of money so it becomes established in people's minds and the big retailers can't ignore it."

The food strategy group called for £450,000 a year for the body operating the mark. £2m for a launch campaign in the UK, and an annual promotion budget for all its markets of at least £5m. The government and private sector will need to be persuaded of its worth.

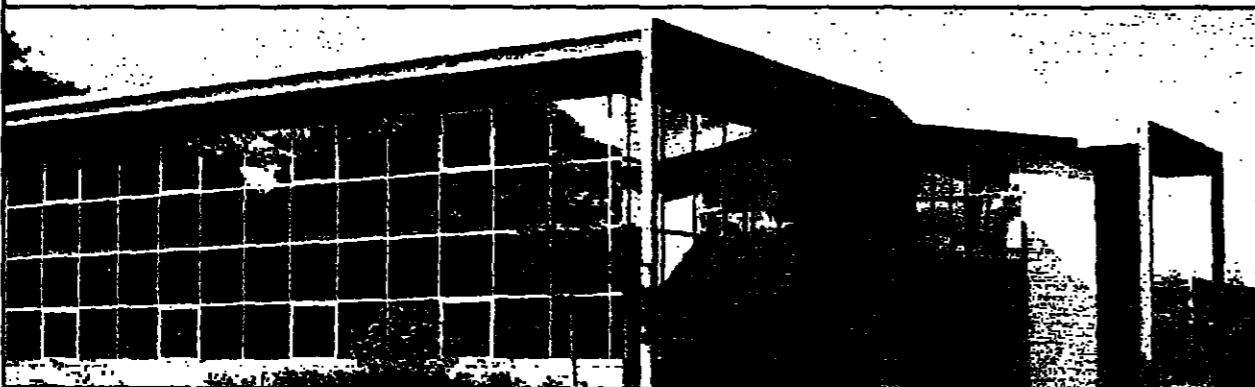
Scottish food manufacturers already well-established in foreign markets may be reluctant to share a common quality mark that could be more useful to smaller competitors than to them.

Winning over farmers may prove difficult, too. Some farmers such as hill farmers who sell their sheep to be fattened on richer lowland pastures – are a long way from the final consumer, and marketing may seem irrelevant.

The food strategy group admits there is some reluctance to join quality assurance schemes. Mr MacRae goes further, accusing some farmers of a lack of vision. A survey of farmers by the TSB and the NFU found concern that membership of a scheme would involve hefty costs and much record-keeping – both misconceptions, according to proponents of the schemes.

"It's not the cheapest that wins," says Mr MacRae. "Farmers have to buy the quality argument, and in many cases they don't."

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POLAND

Friday March 18 1994

The agreement with its London Club creditors signed last week, re-opens access to international capital markets for central Europe's biggest economy and most strategically-placed country.

Anthony Robinson and Christopher Bobinski look at future prospects

Cleared for take-off

The biggest potential obstacle to Poland's future prosperity was removed last week when Warsaw and its London Club bank creditors signed a debt reduction and rescheduling agreement. The deal gives Poland an overall 42.5 per cent reduction on its \$13.2bn commercial bank debt, stretches repayment over 30 years, and, most important of all, re-opens access to international capital markets for central Europe's biggest economy and most strategically-placed country.

The London Club deal closely followed approval by the Polish parliament of another tight budget for 1994. This won approval from the International Monetary Fund, thus paving the way for implementation of the second and final stage of a 50 per cent cut in Poland's \$33bn debt to the Paris Club of official government creditors agreed in April 1991.

While Poland was in default many potential investors, including foreign banks, preferred to wait on the sidelines. It had to pay a premium for its foreign borrowing while equity investment favoured Hungary or the Czech Republic, even though Poland's strong economic growth and 38m-strong domestic market were seen as increasingly powerful attrac-

tions. Now the decks have been cleared for the least bureaucratic and most productive kind of investment - equity investment by foreign companies bringing with them managerial and technological know-how, new products and access to global markets.

This is the kind of capital needed to underpin future export-led growth, as has already been demonstrated by those companies such as Fiat and ABB who looked beyond Poland's short-term problems and took a strategic view of Poland's long-term future five years ago.

Fiat is in the midst of a \$2bn investment programme and already exports the bulk of its Polish-produced Cinquecento model to Europe-wide markets. With a much more modest investment ABB has bought or set up a dozen companies employing more than 8,000 people. It is exporting heavily and using its re-trained Polish personnel to spearhead ambitious expansion plans in Russia and Ukraine.

The list of international companies investing in Poland was growing fast even before the London Club agreement. But the bulk of them were consumer-orientated, ranging from Cadbury-Schweppes and McDonald's to Unilever and

Procter and Gamble. The beauty of the Paris and London Club agreements taken together is the prospect they provide of Poland being able to attract the medium- to long-term capital needed to help finance the infrastructure development required to underpin sustainable economic growth.

Poland, is preparing to build a network of east-west and north-south toll motorways, to modernise the main east-west rail links through Poland between Berlin and Moscow and transform its outdated telecommunications.

Lot, the Polish airline which has just survived a bruising encounter with traffic-hungry British Airways, has already re-equipped itself with western aircraft.

Even taken singly these projects are beyond the financing capacity of both the Polish banks, themselves in the process of re-capitalisation and consolidation, and the cash-strapped Polish state. And the list is not exhaustive. Heavy investment is required to modernise the coal, steel and other heavy industries, both to reduce pollution and to complete the adjustment to a rational market economy from the distorted, command economy inherited from the communist past.

An estimated \$3.5bn alone will be needed to finance the construction of the 700km-long Polish section of the projected new high-capacity gas pipeline from northern Russia's Yamal peninsula to Germany and other EU markets.

Orders for all these projects are likely to favour those companies which have invested in the appropriate production facilities in Poland.

The government has already specifically tied foreign participation in telecommunications modernisation to investment in Polish production facilities.

Even before the expected investment boom begins, the Polish economy has been showing signs of remarkable dynamism. The economy grew by 4 per cent last year and GDP is expected to rise by a further 5 per cent in 1994. Poland was the first to intro-

Area	312,685 sq km
Population	38.6 million
President	Lech Walesa
Currency	Zloty
Exchange rate (average)	1992: \$1=21.12, 1993: \$1=21.17, 1994: \$1=21.17

	1992	1993
Real GDP growth (%)	1.0	4.0
Industrial production (%)	3.9	8.1
GDP (%)	44.0	56.0
FPI (%)	26.5	35.4
Real wages (%)	-3.75	-2.9
Trade (US\$ billion)		
Exports	13,997	18.5
Imports	13,485	15.6
Balance	0.512	-2.9
Current account balance (US\$ billion)	-2,289	-2,287

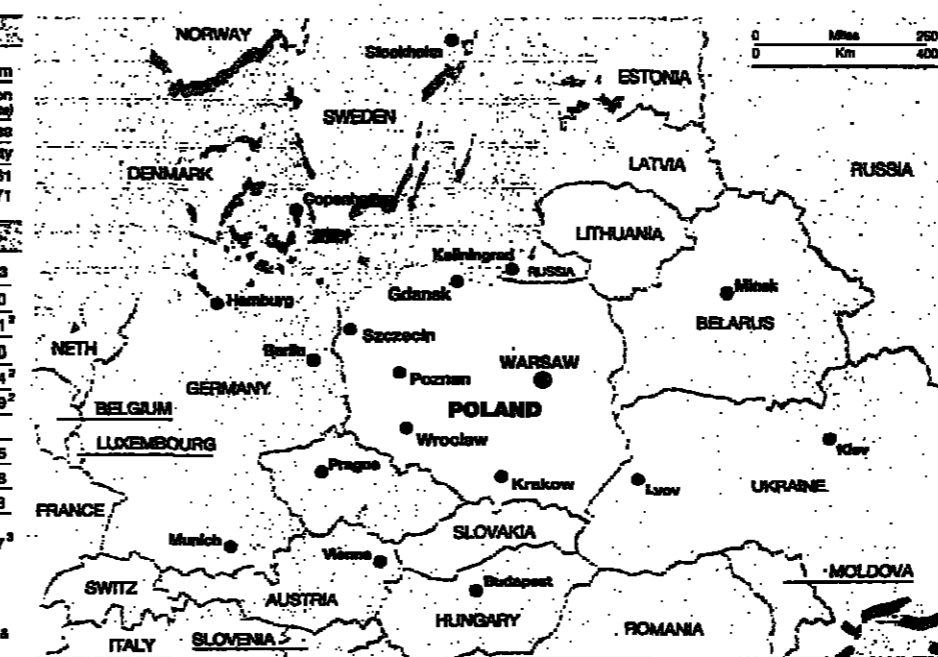
1 = Year-on-year percentage change
2 = December over previous December
3 = January - November
Source: Economist Intelligence Unit, Datastream & official statistics



Lech Walesa: manoeuvring for position behind the scenes

duce traumatic market-oriented reforms in January 1990 and has become the first post-communist economy to emerge from the initial collapse of unwanted and uneconomic output.

The economy has already been transformed by the phasing out of subsidies, the transformation of the zloty into an internally convertible currency, and the unforeseen decline in trade with the east which followed the death of Comecon, the old communist



Waldemar Pawlak: Peasant Party premier all at sea on a Baltic gas rig

trading organisation. Such a transformation in such a short time was bound to be traumatic. The winners are easy to see. For bright, energetic youngsters, and entrepreneurs of all stripes, including many from the former communist nomenclature, who were frustrated under the old system, this is a great time to be alive.

City streets are full of new cars, banks, shops, hotels, restaurants. Millions of Poles are sitting on paper profits from

one of the most spectacular stock market surges. Up to 9m Poles are expected to pay a nominal sum for shares in the partly foreign-managed National Investment Funds which will be set up this year to manage up to 600 state companies to be privatised under the mass privatisation programme.

But nearly 3m are officially unemployed, the streets are almost as full of beggars as those in London or New York. Drug addiction, prostitution,

theft and violent crime are all sharply higher, and more visible. The strain shows in a rising death rate, lower life expectancy and a steep fall in the birth rate.

The housing shortage remains acute, the health service is starved of funds, the education system likewise. The former heroes of socialist labour, the steel workers, miners and railwaymen, and much of the intelligentsia, have seen their industries, professions and status downgraded. Income differentials have widened dramatically. Farm incomes alone have halved over the past five years as domestic subsidies were cut and EU-subsidised food imports flooded in.

All these people have votes. Last September the peasant farmers and workers who once supported Solidarity rejected the amateur politicians who replaced the communists in 1989. They voted back into power two parties with roots in the communist past, the Peasants party (PSL) whose leader, 34-year-old Waldemar Pawlak, is the prime minister, and the Democratic Left Alliance (SLD) led by Mr Alexander Kwasniewski.

The coalition controls more than 60 per cent of the seats in parliament. It has the power to rewrite the constitution and can re-define and reduce the role of President Lech Walesa who comes up for re-election next year.

The government has a strong majority and faces a weak and divided opposition. In theory it could last the full four-year life of parliament.

This is unlikely. The coalition partners do not like or trust each other and the unpredictable Mr Walesa is busy manoeuvring for position behind the scenes. There could well be a government crisis at any time followed by early elections, possibly to coincide with the presidential vote.

The important thing is that economic and other reforms are now irreversible while the governing parties, and particularly the SLD leadership, share the consensus view that market reforms must continue. Poles only have to look east to Russia, and even more so to Ukraine, to compare the benefits of sticking with painful reform with the misery of prolonging the process indefinitely by half measures and backward steps.

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Editorial production: Roy Terry

Can you rebuild a nation's industry without starting all over from scratch?

The collapse of the Comecon revealed a desolate industrial and economic Eastern European landscape - unwieldy structures operating inefficiently and creating large-scale abuse of the environment.

So it's your problem, too.

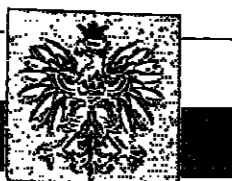
Bankrupt economies can't rebuild themselves from scratch, but Western expertise and investment can be attracted to help. In May 1990, ABB formed a joint venture with two Polish companies lacking the key skills necessary to survive in a competitive world economy. Technology transfer agreements were signed, and the new ABB Zamech restructured every operating function, installing clear lines of responsibility. Within 18 months the Polish company had been transformed into a center of excellence for the manufacture of gas and steam turbines. Production times had been halved. And by 1991 ABB Zamech was using about one third less electricity, gas and water per unit of production. With total commitment on all sides, the effective transfer of technology, skills and responsibility to local management can work wonders - both for the economy of Eastern Europe and the world we all share.

Yes, you can.



POLAND 3

BANKING & FINANCE



The president of the National Bank of Poland, Ms Hanna Gronkiewicz-Waltz, turned up in parliament late on a Friday night last month to tell a packed Sejm that four state-owned banks were having problems. A further 15 private banks and 229 out of 1,600 co-operative banks were threatened with liquidation or facing collapse, she added.

Her warning was greeted calmly, without any sign of a run on the banks by anxious depositors in the days that followed. But why did she run the

risk? "Sorting out the problems of the banking sector requires a clear political decision. That's why I went to parliament to explain the situation," she explains. She hastens to add that "the wild west days of Polish banking are over" now that the central bank has reinforced its supervisory powers. But she feels the need for wider political understanding of the need to recapitalise several of the largest banks and support a consolidation of the banking system.

Ms Waltz told parliament

that Bank Handlowy, the foreign trade bank, was the only one among 15 state-owned banks to produce "good results" last year. All nine of the commercial banks hived off from the BNP five years ago at the start of bank reforms were also in reasonable shape, she added, partly because seven have been partially recapitalised from state funds.

Two of the original nine banks, Wielkopolski Bank Kredytowy (WPK) and Bank Slaski (BS), have now been privatised and recapitalised

through the sale of shares to private investors. The EBRD paid \$12.7m for a 28.5 per cent stake in WPK a year ago while ING bank of the Netherlands paid \$60m for its 25.9 per cent stake in Bank Slaski. The remaining seven banks are due for privatisation over the next two years.

The emergence of nine privatised regional banks, with substantial foreign minority shareholders, will mark a big step forward in Polish banking. But Cezary Stypulkowski, the president of Bank Handlowy, the

biggest and most consistently profitable Polish bank, argues that 15 medium-sized banks are too many for an economy Poland's size. "Probably four or five stronger banks would be better," he says.

The whole banking sector, he argues, is undercapitalised. "The total capitalisation of Polish banks, at around 40,000bn zlotys, is equivalent to that of the 12th largest bank in Germany," he notes. "The Polish economy demands more than that."

Bank Handlowy, which has

been transformed over the last three years from a foreign trade bank into a universal corporate bank, alone accounts for a quarter of the total capitalisation of the banking system. It is the only Polish bank which has managed to preserve the real value of its capital base, he says. It raised its provisions from 6.2bn zlotys in 1992 to 9bn zlotys last year after another year of sharply higher profits. Any future capital increase is most likely to come through a stock market flotation of new shares which

would dilute the state shareholding and amount to partial privatisation.

Meanwhile, the most difficult problem is how to deal with the 70 or so small and undercapitalised private banks which are the weakest part of the banking system, alongside the small rural co-operative banks.

Both the government and the central bank are worried about the political fall-out of small bank failures in rural areas. The NBP would like to persuade foreign banks to take over and absorb these smaller banks. But few are willing to accept such a poisoned chalice. Until now foreign banks, such as Citibank, have preferred to set up their own wholly-owned operations, or take stakes in larger, state-owned banks.

The central bank also has plans for the 1,600 rural banks, of which more than 200 are in a shaky state. "We would like to form nine or 10 competitive associations of small co-operative banks and then refinance the new associations," Ms Waltz explains.

Until now one of the main obstacles to the entry of foreign capital into the Polish banking system was the absence of a London Club deal. One benefit of the protracted negotiations, however, is that the 400 foreign banks involved in the outcome have been keeping close watch on Polish developments. Some are expected to seek entry to this fast growing market now that an agreement has been reached.

Anthony Robinson

Profile: POLSKI BANK ROZWOJU

Primed for privatisation

Polski Bank Rozwoju, the Polish Development Bank (PBR), is one of the new financial institutions set up by the first post-communist government to help finance the transition to a private, market-based economy.

It began operations in February 1991. Untrammelled by communist-style banking habits its functions are to finance fledgling companies, to lubricate the restructuring of public sector enterprises and to channel funds from international institutions such as the World Bank and the European Bank for Reconstruction and Development (EBRD) into specific projects.

Such is the pace of change in the economy, however, that Mr Wojciech Kosztyla, the young, German-trained president, says "we have become less and less a development bank and more and more a specialised corporate investment bank". The bank, he adds, "offers a full range of products for large and medium corporations", which means loans of \$500,000 and above.

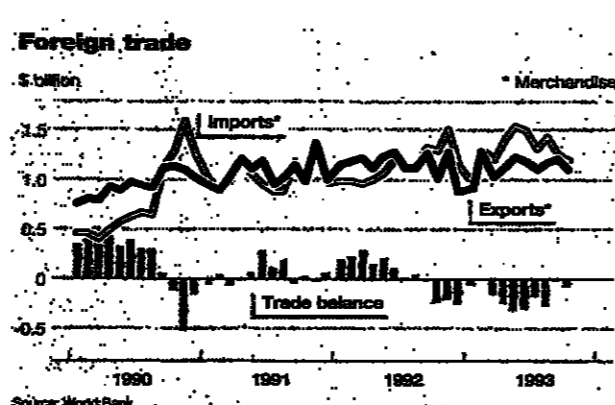
Last year saw a virtual doubling in loans granted from 1,391bn zlotys to 2,521bn zlotys, a 65 per cent real increase after inflation, confirming the rapid growth in demand for investment finance from an increasingly confident private sector. More than 80 per cent of PBR's loans are to private

or privatised companies and it is the only Polish bank which runs a regular commercial paper programme, including an active secondary market.

The bank expects a heavy demand for investment credits from joint venture companies but the bank's commercial paper activities are limited to public companies listed on the Warsaw stock exchange. They are preferred because they are subject to the regulatory discipline and tough disclosure requirements of the US-style stock exchange regulators.

The bank is involved in bringing new companies to the stock exchange and has teamed up with Kleinwort Benson, the UK-based merchant bank, to set up and manage one of the new National Investment Funds which will be created as part of the mass privatisation programme.

But Bank Rozwoju is also helping to financially restructure state-owned enterprises prior to privatisation. The most successful example to date concerns the Szczecin shipyard. The deal involved a complex 2,500bn zlotys debt write-off and rescheduling agreement involving several leading banks and more than 1,800 suppliers. It was linked to a series of parallel productivity agreements with the trade unions and the introduction of modern managerial methods. This combination



has transformed the shipyard from heavy loss-maker into one of Europe's few subsidised profitable shipyards.

The Szczecin shipyard now turns out around 15 ships a year worth more than \$250m and is on the way to privatisation. It recently gained new orders from Chile and Argentina in addition to orders from Germany, other European countries and South Africa.

The bank now hopes to repeat the Szczecin formula at the loss-making state-owned Star truck plant at Starachowice, 200 km south of Warsaw which has been an unemployment black spot ever since the collapse of the old Soviet market for medium trucks and the expropriation of orders from the Polish military in 1991.

Last year Deutsche Investi-

tions and Entwicklungsgesellschaft, a specialist German project financing institution, took a 2.64 per cent stake in the bank alongside Italian, French and Austrian minority shareholders. The Polish Treasury, with 73 per cent of the 1,796bn zlotys capital, remains the biggest shareholder.

This may change, however, if the government authorises PBR to raise fresh capital and dilute the state shareholding by a public offer of shares on a stock exchange which is increasingly coming into its own as a viable source of equity finance and as a privatisation vehicle. If the government gives the green light, as expected, 1994 could see the start of PBR's privatisation.

Anthony Robinson

Lame ducks are the target

Most foreign banks were waiting for the outcome of Poland's negotiations with the London Club creditors before deciding whether to open an operation in the country.

But if they do take the plunge they will probably find that getting a banking licence will not be easy. The NBP, the central bank, has imposed a *de facto* moratorium on new banks as it struggles to repair an ailing private banking sector which expanded too fast in 1990 and 1991 and is now knee-deep in bad loans.

Ms Gronkiewicz-Waltz, the NBP chairman, says she is happy to see foreign banks coming, but only if they consider taking one of the sector's lame ducks under their wing. That also applies to local investors keen to set up a new bank, she adds.

This leaves a handful of banks including Credit Lyonnais, Westdeutsche Landesbank and Banque Nationale de Paris, working together with the Dresdner Bank, waiting in a queue and browsing through the NBP's "transfer list" of around 15 small private banks in serious trouble.

But 10 banks with a majority foreign shareholding, who obtained their licences in 1990 and 1991, are already in place. One, the American Bank in Poland, in which Bankers' Trust has a 17 per cent stake, is preparing a stock exchange

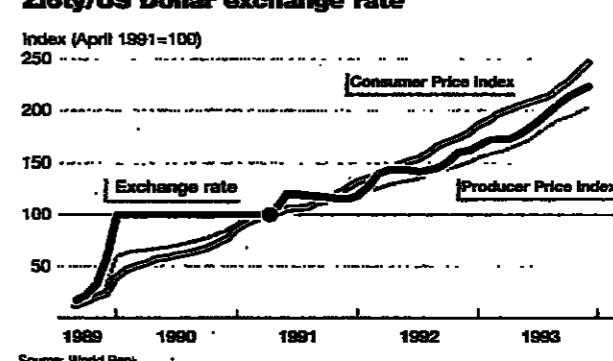
flotation. This would allow foreign shareholders, such as Time Warner and Morrison Knudsen, the US building company, to exit profitably.

Other banks include ING, which bought 25.9 per cent of Bank Slaski, and two Austrian banks active throughout central Europe, Creditanstalt and Raiffeisen, and Citibank.

Citibank is probably the most profitable of the foreign banks. It concentrates on providing foreign trade and cash management services for big foreign investors such as International Paper and McDonald's and has also attracted local customers with the range of electronic banking services on offer. The wholly-owned subsidiary, opened in November 1991 by Mr William Rhodes, Citibank's deputy-chairman, last year reported a 415bn zloty (\$18.5m) net profit on the US bank's initial investment of \$10m, backed subsequently by a \$7.5m subordinated loan from its parent company.

The bank intends to raise its capital to around 900bn zlotys after retaining the net profit of 131.5bn zlotys in 1992 and last year's net profit, together with the subordinated loan. But last year the bank's profit tax break, equal to the sum of the initial capital, expired. Its new capital base will be twice as large as Citibank's Hungarian subsidiary, which is capitalised at \$20m and reported a \$14m

Zloty/US Dollar exchange rate



Source: World Bank

profit in 1992.

Citibank's locally-recruited 120-strong staff are young. For one in three is their first job. "We have brought in grey hairs from outside the country," says Mr Allan Hirst, the local Texas-based chief executive. The branch spends \$400,000 on training annually.

Mr Hirst is sensitive to criticism that foreign banks constitute a competitive threat to local banks. "All the new Polish clients with whom we are doing business have also stayed with their old banks," he says. From Citibank's point of view it is Polish banks such as Bank Handlowy and the new Export Development Bank (EBR) which are keeping up the competition on interest rates and services.

That said, however, Citibank

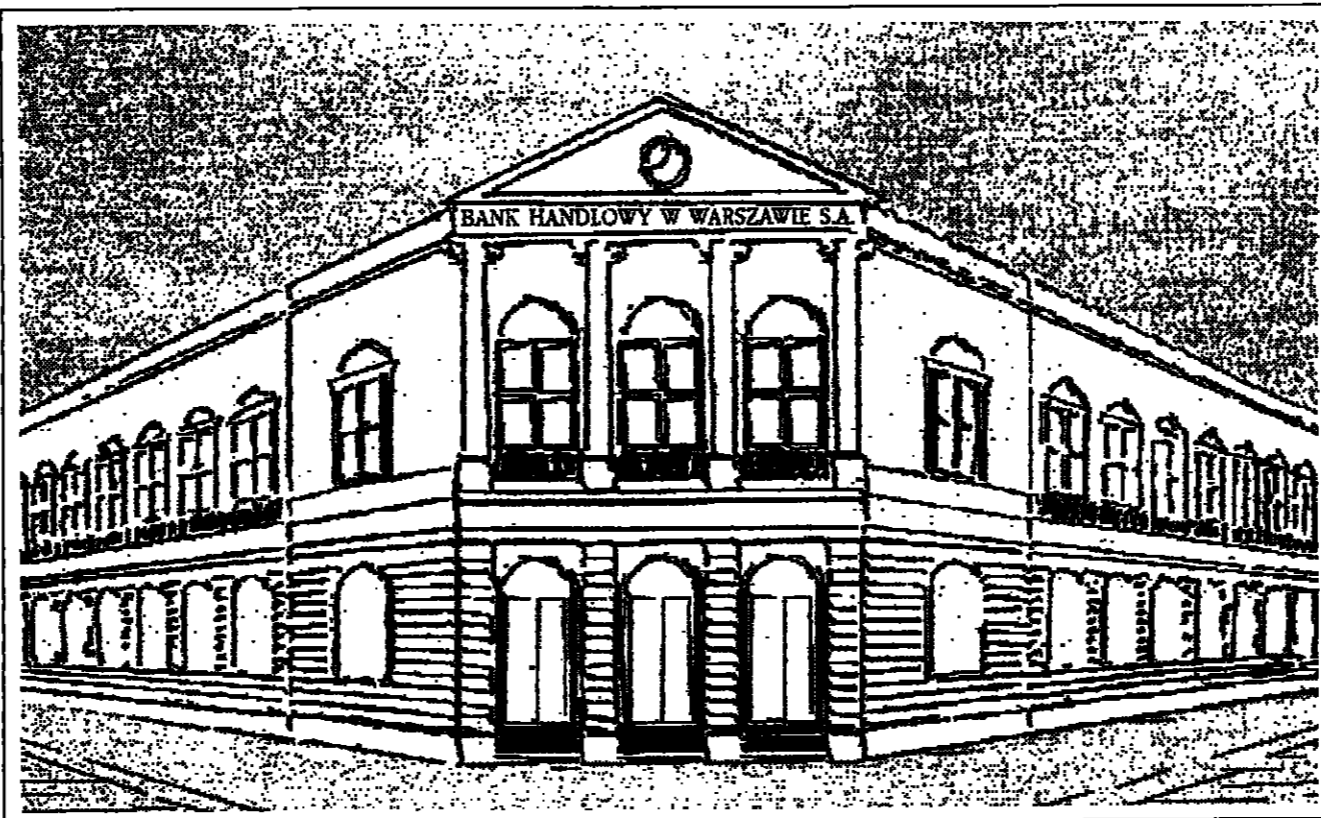
Poland's gross profit of 341.7bn zlotys last year is high compared to local private banks such as BRD which reported a gross profit of 357.9bn zlotys on a balance sheet double Citibank's 5,010bn zlotys.

This year's capital increase will give Citibank a chance to expand its lending as Polish banking laws restrict individual loans to 10 per cent of a bank's capital. But Mr Hirst also intends to maintain his bank's competitive edge by building up its technological capacity to manage corporate finance and foreign exchange transactions. "In 10 years' time we want to be the provider of the highest quality banking products and services bar none," he says.

Christopher Bobinski

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INFRASTRUCTURE



Polish Railways (PKP) set great store by their plans to speed up the journey time between Warsaw and Berlin by 85 minutes in 1997.

"It will be our visiting card," says an enthusiastic Alexander Janiszewski, the head of PKP, who is sorely constrained in his modernisation plans by running losses which have to be covered each year out of the railways' investment funds.

Seed money for the Ecu487m (\$535m) Warsaw-Berlin project has come from an ECU30m grant provided under the European Union's Phare (aid for

eastern Europe) programme. Further financing is to come from a European Investment Bank Ecu200m loan which needs only Polish government guarantees to be completed.

Talks are also advanced on an additional Ecu50m loan from the European Bank for Reconstruction and Development. Only the World Bank has doubts about the plan which by bringing travel time down to 5½ hours between the two city centres would reduce the rail journey to within striking distance of competing with flight time between War-

saw and Berlin.

"The World Bank thinks the project will divert resources from more pressing needs elsewhere on our system," Mr Janiszewski admits. But the PKP's overall plans involve contraction rather than expansion. PKP is cutting lines as economic changes of the past five years have brought a sharp fall in goods and passenger traffic. The railways now carry less than half the goods carried at their peak in 1980 when they moved 490m tonnes, compared with 214m tonnes last year, and carried 1.1bn passengers,

compared with 530m in 1993.

Rail management estimates that the country only needs half of its 24,000km network. Already 1,000km have been taken out of service since 1989 and another 4,000km are slated for closure. Mr Janiszewski is hoping to hand a further 3,000km to local governments.

The cut in traffic means that employees are having to be laid off in the face of resistance led by the Solidarity trade union. Over 80,000 jobs have been cut on the railways since 1989 leaving a total workforce of 252,000 at the end of last

year. A further 5,000 job losses are planned for this year. At the beginning of the 1990s the railways employed some 450,000 people.

The cuts are also affecting rolling stock purchases and have hit the great industrial suppliers - the Pafawag factory in Wrocław and the Cegielski works in Poznań.

Cegielski has been especially vociferous in demanding that PKP buy its Z-2 standard passenger cars which are not suited to the high-speed line planned between Berlin and Warsaw.

The protests have, however, produced a deal with ABB Wagon Union in Berlin under which Cegielski will co-operate in producing the first 50 modern cars worth DM130m (\$74m) and will also be handed the technology to produce subsequent orders. Hermes, the German export credits agency, is financing the deal which is backed by guarantees from Bank Handlowy and the finance ministry.

Meanwhile, the factory has won a breathing space as PKP is buying 33 of the older standard cars Cegielski makes to

replace some of its 8,000 or so existing stock at prices set at below production cost. Pafawag in Wrocław can only hope for orders from PKP to the extent of between 10 and five electric locomotives a year as replacements for the 2,300 in service.

The privatisation ministry thinks that is enough to secure the future of the factory which has just been put up for sale. Several leading western companies, including Siemens, GEC Alsthom and ABB Henschel, have indicated an interest in Pafawag which produced

eight electric locomotives last year. But Mr Janiszewski's priority is maintaining the level of the state budget subsidy, set at 6,500bn zlotys for 1994.

Last year the subsidy amounted to 6,800bn zlotys which, with costs reaching 53,000bn zlotys and revenues of 44,000bn zlotys, still left a 2,200bn zlotys deficit. Rail subsidies, he notes, are higher abroad and were they to be further reduced then passenger services provided by PKP would have to suffer.

Christopher Bobinski

ROADS

Dream motorways take shape

Poland, a flat country at the centre of Europe, is a road builder's dream. As traffic density builds up and the importance of transit traffic grows, an ambitious toll motorway building programme costing over \$6bn and stretching until 2007 is taking shape.

Mr Bogusław Liberadzki, the transport minister, argues that the financial burden of the programme cannot be carried by the state. Nor should the state operate the 2,600km of the north-south and east-west motorways he wants built over the next 15 years.

"I don't believe that a state-owned enterprise will do this in the most efficient and profitable way possible," he emphasises.

"Nor do I think that the state should take on new debt burdens to finance the programme - it has enough on its plate as it is," he adds referring to Poland's heavy existing foreign debt.

His words would not raise eyebrows if coming from a minister in Poland's previous free-market liberal government.

But Mr Liberadzki is a member of the centre-left government elected in last autumn and his words reflect the mar-

ket-orientated pragmatism of the new generation of social democratic politicians even though their origins trace back to the communist years.

In another break with the past, Mr Liberadzki is also determined that the new Motorway Agency, which will oversee the road building programme and operate the routes, will "above all be staffed by qualified financiers and lawyers rather than by engineers".

The state will oversee the new agency, and be responsible for procuring the land required. Land purchase alone is expected to cost 1,500bn zlotys a year for the next two decades, and amount to around 15 per cent of the cost of the entire programme.

The agency will also be responsible for ensuring that the motorways, once operational, are kept in good repair. But the engineers will be "on tap, not on top" as they were in the socialist period.

Mr Stefan Kirk, of Morgan Grenfell which helped finance Hungary's M1 motorway linking Budapest with the Austrian frontier, underlines that expert advice is of particular importance in view of the financial complexity of these

projects.

Each new road will need "reliable and adequate traffic projections" before proceeding, he adds.

Mr Liberadzki agrees that Poland needs in-depth market studies to analyse the surroundings of the routes up to 50km on either side and to look for ways of channelling maximum traffic on to the tollways. He still has time for the studies as the draft law governing the road building and operating programme is still at the consultation stage between government departments. It is expected to be approved by parliament later this year.

Only then will the main routes be put out to tender by the Motorway Agency to consortia capable of offering construction, capacity financing and operating ability. Mr Liberadzki says \$500m should suffice to build between 150km and 170km of motorway in the first stage of the 138,000bn zloty (\$6.2bn) programme.

The focus at present is concentrated on raising private funding. There is little sign of more substantial funds coming from the European Union, in spite of grandiose plans for trans-European networks, including a Berlin to Moscow

road link, unveiled last December by Mr Jacques Delors.

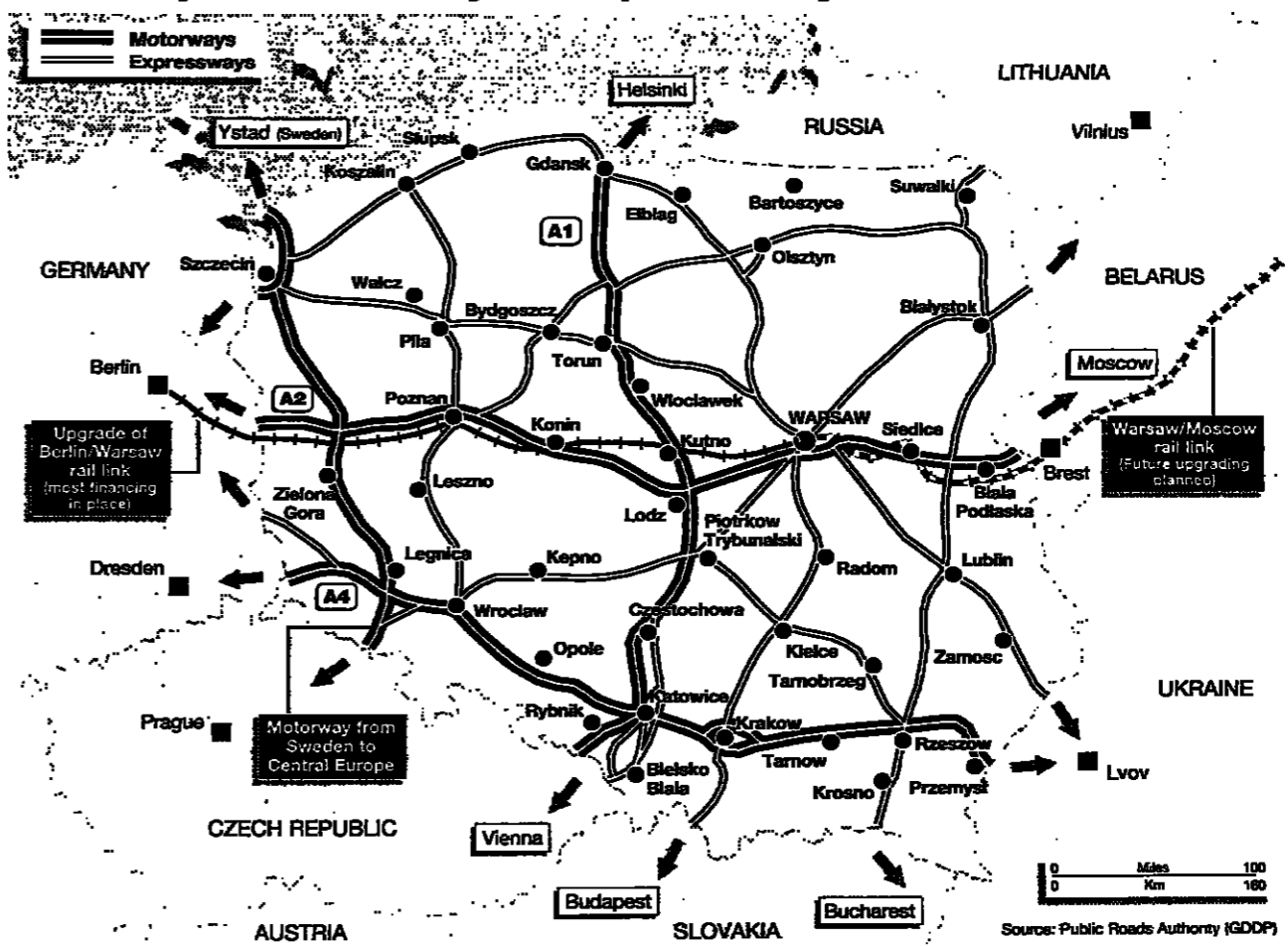
The four main routes planned include the 626km east-west motorway linking Terespol on the eastern frontier to Warsaw and on across the western border to Berlin, and the 502km link between Gdansk on the Baltic with the southern border. Another 482 km east-west link is planned in the south between Medyka and Germany.

The most controversial project is a 365km motorway which would link Scandinavia via the port of Szczecin to the Czech frontier and on to southern Europe. The latter roadway was added to the programme last December.

The previous government's programme, accepted in the summer, only contained the first three routes. But Scandinavian interest in acquiring fast access to central and southern Europe through Poland is high and traffic in the western territories is growing fast. At the same time a new high capacity road would help to relieve the pressure on the German autobahns on the other side of the Oder-Neisse rivers which mark the border.

Christopher Bobinski

Planned system of motorways and express railways



New highways and upgraded railways could lead to big contracts. They also underline Poland's strategic east-west role and strengthen its presence in the fast-growing Baltic region.

PROPERTY

Red tape slows pace

On one Warsaw corner, a building pockmarked by bullets fired during the second world war is falling down. On the next corner, a brand new set of offices, built with the money of foreign investors, is already in operation. Stuns stand beside prosperous shops, unfinished office blocks dot the landscape. But the confusion is only the outward manifestation of a property market that is growing very quickly, but not always consistently.

In fact, the Polish property market presents something of a paradox. On the one hand, Poland faces urgent shortages of all kinds of housing and commercial property. As in the past, young Polish couples live with their parents due to the absence of cheap housing. At the other end of the market Sprint, the American telecommunications company, recently asked Peter Chojnowski, the chairman of Prime Property Inc, to find 50 large houses, built to American standards, for its employees. "We've found 12," he said, "and we look for more every day." Rents are upwards of \$2,500 a month; the asking price of one new, four-bedroom house in one of the better Warsaw

neighbourhoods is \$450,000.

At the same time, however, property prices at all but the very highest level of the market - a tiny handful of new office buildings in Warsaw and a few large, well-located houses - are relatively low compared to other prices, and have, in fact, dropped since the collapse of the communist regime. A high quality, 100 square metre flat in central Warsaw can sell for as little as \$50,000, and smaller flats in new apartment blocks change hands for \$10,000. This is partly because recession and rapid economic changes have forced many more properties on to a market which was artificially small in the past. Low prices are also connected to several bottlenecks which are peculiar to Poland's transitional economy.

It is still legally impossible to evict anyone from his "primary residence" and for this reason banks are wary of granting mortgages. Until the law, which is due to change, is altered, most housing property will be purchased with cash. "Because they can't take out loans, people right now prefer to rent than to buy," said Ryszard Strzelczyk, the chairman of the Strzelczyk Corpora-

tion estate agency.

As in the past, over-regulation and the slow pace of bureaucracy also continue to affect the market. To buy land or buildings, foreigners are still required to obtain clearance from the interior ministry. While few purchasers are turned down, the procedure can add months to a transaction. Land sales are further hampered - by confusion over plans to carry out "re-privatisation", which would allow some owners whose property was confiscated by the communist government to reclaim it. Although much discussed, the law on re-privatisation has yet to pass, and until it does - or decisively does not - many transactions will remain on hold.

The other important bottleneck is the difficulty of obtaining finance - a problem which Chris Grzesik of Price Waterhouse called a "chicken-and-egg situation". Most Polish banks will not lend money to developers, he said, until they have at least 30 per cent of their space pre-let. Yet, most Polish companies, wary of

Continued on page 6

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POLAND 6

TELECOMMUNICATIONS

Doubling connections

Successive Polish governments since 1989 have recognised that improving the country's telecommunications system is central to the chances of attracting foreign investment and economic growth.

To pay for a better service in future telephone charges have been forced upwards, giving Telekomunikacja Polska (TP SA), the state-owned operator, a 70 per cent profit margin from which to finance development and supplement World Bank loans and supplier credits.

The present centre-left government appears set on continuing this policy with Mr Andrzej Zieliński, the new telecommunications minister, confirming his predecessor's aim to have 10m lines installed by the end of the century, double the present figure. Mr Jerzy Stopczyk, TP SA's investment manager, recognises that even if his company were to slow its investment efforts private operators would step in to fill the gap. "The rapid growth of the past few years has got people used to the idea that telephones are accessible and they will go elsewhere if we don't provide them," he says.

Already some 70 licences have been issued to mainly

small local private projects which have yet to become operational. But RP Telekom, a company working with Sprint of the US, is forging ahead on plans to provide a private service in Pila and Katowice in the first significant challenge to the state-owned operator.

Meanwhile, TP SA plans to invest \$600m this year on the installation of 680,000 lines and around the same number is planned for 1995.

The aim is to have 10m

lines installed by the end

of the century, double

the present number of

connections

Recent capital investment has already improved international connections significantly and by the end of this year the inter-city network, the country's present communications nightmare, should be two-thirds complete.

Previous governments consciously chose a policy of restricting the number of equipment suppliers to three - AT&T from the US and Alcatel and Siemens from Europe. These were then forced not

only to buy ailing Polish telecommunications equipment plants but also to produce half of the equipment to be supplied to TP SA locally.

Mr Stanisław Szuder, the head of AT&T Telfa which has an agreement to supply the Gdansk district with 230,000 lines, says he is happy with the arrangement and confident the deal will go ahead. Private financing from abroad for the project worth \$150m still has to be agreed with TP SA however in a deal which is expected to be closed in the autumn.

For the rest, TP SA is preparing a three-year plan to run till 1997 giving suppliers an idea of what its short-term needs are.

Meanwhile, Centertel, a mobile phone operator jointly owned by TP SA, Ameritech of the US and France Telecom, is pressing ahead with installing its NMT phone system and already has around 11,000 subscribers. It will face a formidable challenge, though, when the government decides to go ahead with a tender for a more modern GSM network which operates on 450 mhz, will be compatible with other European networks.

Christopher Bobinski

Red tape slows down pace

Continued from page 4

plans which often fell through in the past, will not sign a lease until a project is well under way.

For those who can overcome bureaucratic obstacles, several trends are clear. Because very high quality office space is virtually unavailable in Warsaw, rents in the centre of the city are high. One Polish-American joint venture, the Warsaw Corporate Centre, has rented out 90 per cent of its office space at \$50 a square metre since its completion in 1993. Most other projects with foreign funding are in the planning stages, mostly slowed by financing problems. Those which are further along include a joint venture between Skanska, the Swedish developers, and the local authority, which is designed to create 80,000 square metres of office space in central Warsaw.

The development of Warsaw's suburbs is also just beginning. Standard flats in tower blocks are still being sold and purchased - they constitute, after all, the bulk of the market - but the acquisition of a *dzielnica budowlana*, a piece of land on which to build a house, is what most Polish families are now saving for. Some are now buying land which is not yet approved for residential use. Several foreign companies have started development projects, often using identical housing "kits" imported from abroad, although none has suc-

ceeded yet on a large scale. Already, in relatively close suburbs such as Wilanow and Anin, more carefully designed family houses are being built with the expectation that they will be worth several hundred thousand dollars.

The bottleneck holding up suburban development is the absence of good roads and public transportation. This is true of all principal Polish cities, but Warsaw in particular. Many would-be suburban settlements in the more distant satellite villages also lack proper sewage, water and electricity installations.

Perhaps the best sign of the increasing interest in property is the financial health, and increasing sophistication, of Warsaw's estate agents. Once famous for being little more than individual brokers who took their clients round the city on public buses, the big agencies now have catalogues, computers, and advertising campaigns.

The Dragowski Agency, the largest in Warsaw, has an annual turnover of nearly \$1.5m and that is before the boom which Lech Dragowski, the company's chairman, believes is coming within the next year or two. "It is senseless for Poles to invest in property while the stock market is still rising 20 per cent every month," he said. "But when that ends, we may be one of the beneficiaries."

Anne Applebaum
Foreign Editor, The Spectator

SOCIAL PROBLEMS

HEALTH

Prescription for discontent

A recent visit to the Dr J. Biziela Hospital in the western city of Bydgoszcz found the hospital's economic director, Leszek Kowalik, on the telephone arguing about the proposed purchase of a new piece of diagnostic equipment. "Professor," he shouted down the line, "we have negotiated with everyone, now we are negotiating with some Italians who might sell more cheaply, but it won't be ready just yet, I am sorry."

A recent visit to the Polish ministry of health in Warsaw, on the other hand, found the new health minister, Ryszard Zochowski, staying late in his office, unable to go home for the evening due to ongoing negotiations with the health service unions. These unions, he said, did not understand that the ministry could not increase their pay. "Our budget was allotted to us by the former government of Prime Minister Hanna Suchocka, and it is not sufficient. Next year," he concluded, "I am sure it will be different."

The similarity between the concerns of Mr Kowalik and Mr Zochowski is not accidental. Caught between demands for modern medical supplies and demands for higher salaries, the bureaucrats and politicians who run the Polish health system find themselves, these days, almost constantly negotiating for more money.

In recent months the negotiations have taken on a new urgency. Cuts in public sector funding, including the virtual freezing of salaries for Poland's 735,000 health service workers, helped create public dissatisfaction with the Solidarity-affiliated governments which ran Poland for four years.

The present government, composed of parties affiliated to the former communist party, promised to improve public sector funding. Now, Minister Zochowski faces a high level of political pressure: he must placate an electorate which is demanding better service and a group of trade unions demanding higher pay, while at the same time operating a health system which spends only \$75 per capita, a figure well below western European levels of \$1,200 to \$2,000 per capita.

Few believe that there can be much improvement in either service or salaries if the health care financing system remains unchanged. At present, all health care - including hospitals, clinics, and medical training - is ultimately financed out of the central budget, although local governments do help distribute some of the money.

Given the stringency of Poland's recent budgets, it is hardly surprising that this system of central budget funding leaves hospitals in a Catch-22

position. On the one hand, as Mr Kowalik pointed out, the Biziela hospital receives only enough money from the state budget to pay its operating costs, 70 per cent of which consists of salaries, to make really large savings.

Incappable either of investment or of real savings, the hospital has slid slowly into debt, and saves money by skimping on essentials. A mere 18,000 zlotys, about \$0.31, is spent on feeding each patient

knowing that this was a bribe rather than an obligatory contribution, he wrote to the hospital's director, to ask for a reduction. Bribery can also take the form of gifts to nurses, who earn on average 2.4m zlotys, a month.

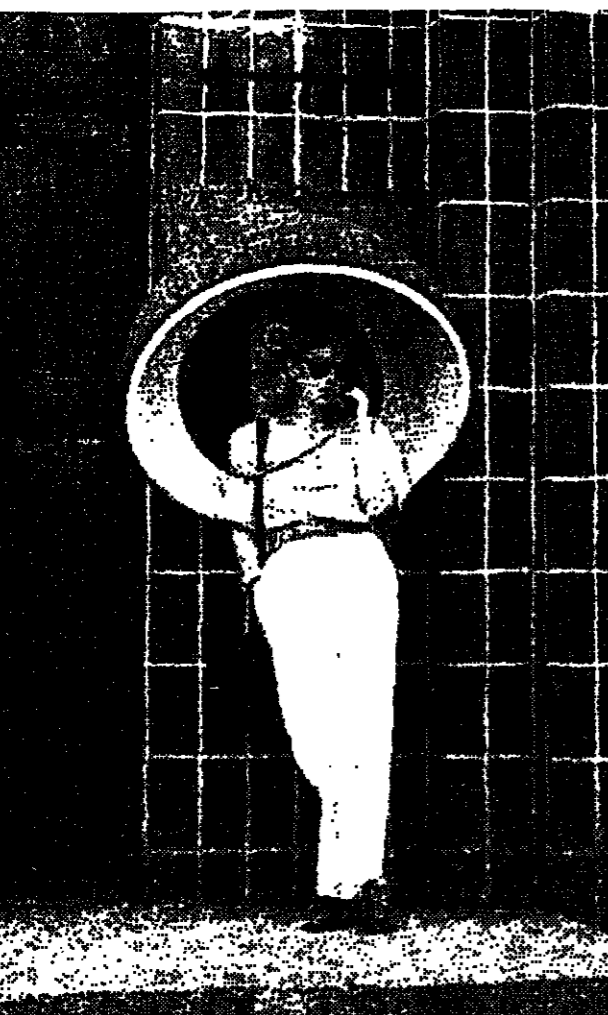
Although reforms of health finance have been much discussed, the governments of the past four years have so far achieved very little. Like his predecessors, Minister Zochowski favours a mixed system - one which, in other words, would ask people to continue paying for part of their health care, but in a more regulated manner.

The ministry is proposing to let the central government fund health education and big central investments, while at the same time creating a national insurance system to finance both family doctors and hospitals.

Although the project is not beyond the planning stages - it is not clear, for example, whether the insurance system will be wholly state-run or partly private - he said he hoped to begin putting such a system in place by the end of the year. The health service unions say they support the switch to a partially paid system. According to Mr Zochowski, they are now complaining that the changes should be brought about faster.

But there are also fears that doctors and nurses will not support such changes in practice. "We know that about half the doctors in this hospital support some form of privatisation in the health system," said the director of internal medicine at Biziela Hospital. "We know that half are against. Obviously, they are against because they make profits within this system, and prefer not to face more competition."

Anne Applebaum



On the line: telephone charges have been forced upwards

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POLAND 7

■ EDUCATION

Unions fail to learn their lessons

In the 1970s, all Polish schoolchildren were required to memorise a poem, in Russian, about the portrait of Lenin which hung from their classroom walls. "When the sun rises and looks into our classroom, it lights up brightly a painting on the wall: like a word of greeting for a good day, Vladimir Ilyich, as if alive, is looking at me."

These days, Polish children no longer learn such rhymes. The textbooks are different, the lectures in atheism have been replaced by catechism, references to Marx and Engels have been eliminated from lessons. But while Lenin may have disappeared from the classroom walls, the structure of the Polish educational system itself remains essentially unchanged.

Politics determined the shape of the system in the past, and politics continue to shape the reform of the system even now. The Polish parliament contains fewer than a dozen teachers but more than five dozen teachers, most of whom are members of the ZNP, the former communist Polish Teachers' Union. Together with workers from the health services, whose salaries also come out of the central budget, teachers form the largest pressure group in parliament.

On the ground, teachers also represent a large source of votes for the former communists and communist allies who now lead Poland's ruling coalition. For four years, however, the teachers' unions have also been in the forefront of resistance to change, economic and otherwise.

Not that anyone outside the teaching profession doubts the need for educational reform. A World Bank report on Polish education, published in June 1993, found irrelevant vocational programmes, serious shortages of foreign language teachers and a lack of technical and computer literacy. It concluded that "failure to increase [secondary education's] relevance and to improve its cost-effectiveness... will constrain the capacity of enterprises and individuals to adjust to their new economic environment."



Warsaw University: classes are notoriously overcrowded and academic pay is very low

Expenditure on education is declining in Poland, from 4.6 per cent of GDP in 1990, to 3.1 per cent in 1992, well below the average of about 5 per cent of GDP spent in most west European countries. Yet reduction of financing has not been accompanied by better management. Polish schools have run up high debts, and although theoretically free, often require parental funding to stay afloat. This is true not only of the 600 or so new private and non-profit schools which have appeared since 1989, but of most ordinary primary and secondary schools as well.

Teachers themselves are a particular problem. About 10 per cent of Polish teachers do not have a university education, while others teach subjects (most notably the Russian language) which are no longer required. The ministry of education estimates that at least

half are under-qualified and in some subjects - chemistry, for example - the figure is closer to 75 per cent. Yet university classes are notoriously overcrowded, and academic pay is so low that Andrzej Siemaszko, a professor of sociology at Warsaw University, believes that within a few years, universities may find it impossible to employ anyone. Mr Siemaszko, who supplements his own salary by playing the new stock market in Warsaw, said that "no professors here can afford to work for the university alone."

Polish primary and secondary school teachers work unusually short hours (on average, 18 hours a week) but are paid to match: last year, the average secondary school teacher earned a monthly salary of 3.7m zlotys (\$170). To solve this problem, the former government of Prime Minister Hanna Suchocka published a

reform programme in 1993 which called for teachers to obtain higher qualifications, to work 40 hours a week, and to receive higher pay as well.

That proposal was heavily criticised by the ZNP, which believed, probably rightly, that such a change would make many teachers redundant. Asked recently whether the union would agree to longer hours and higher standards, Jan Zachura, the chairman of the ZNP, replied that the union would not, because "that would be a revolution. Besides, law cannot work retroactively." By that, he meant that those teachers who are now irrelevant or under-qualified should not be threatened with the loss of their jobs.

The union has also opposed attempts to decentralise education - to hand responsibility for financing over to local government, for example - on the grounds that such a change

would weaken the strength of the union. About a quarter of schools are financed by *gminy* (local governments); during a nationwide teachers' strike last May, only teachers from centrally-funded schools stayed away, while teachers in locally-funded schools refused to join.

While it has not, so far, bowed to the demands of its electorate in other spheres, the government appears prepared to do so in the field of education. Aleksander Luczak, the new minister of education, has not openly reversed the Suchocka government programme, but sources in the ministry say that he does not intend to fight the ZNP. Already, about 10 per cent of the ministry employees hired by past Solidarity governments have been made redundant, including at least one of the authors of the Suchocka government programme.

Anne Applebaum

■ LABOUR AND SOCIAL POLICY

Easing the pain of reform

South Africa's finance minister Derek Keys likes to describe himself as "the minister of the bloody obvious". His main job is to explain the limits and the economic costs of demands from newly-enfranchised Blacks for social and economic reforms.

Mr Leszek Miller, the former communist apparatchik who now finds himself in a similar hot seat as Poland's minister for labour and social affairs, sees his role as "the minister for keeping the pain of economic transformation within tolerable limits".

The South African has a snappier one-liner, but the two men are clearly tackling the same problem, albeit from opposing angles. The problem is how to persuade enough people to accept only minimal improvements in their immediate living standards to allow reforms and investment the time needed to deliver the higher employment, better pay and improved services voters really want now.

Mr Miller is lucky on two counts. Although the reversal of political fortunes has put the 2m-strong Solidarity Union, with its tradition of militant anti-communism, back in opposition to the government, the union is weak in the fast-growing private sector where much of the new wealth and most of Poland's new jobs are being created. Its old power base in the mines, railways, shipyards and big factories has been eroded by unemployment, and faces further reduction with the onward march of privatisation.

Second, Mr Miller has an ally in Mrs Ewa Szychalska, the former Solidarity unionist who switched to become the leader of the rival OPZZ union, which was built up by the communists in the 1980s to counter the power and influence of the then 10m-strong Solidarity anti-communist alliance of workers, intellectuals and the Catholic church.

The OPZZ has more than 70 deputies in the new parliament, making it the second largest faction in the governing SLD party after the Social Democrats led by Alexander Kwasniewski. Mrs Szychalska is one of the most influential

deputies. Her view is that "the bulk of Polish society decided in favour of systemic change in 1989 and the unions were part of that decision. As for capitalism, it has many forms and we look at developed capitalist systems with interest and hope".

Mr Miller conveys the same sentiments, but in a different way. "Experience has shown that the famous debate between the revolutionary Lenin and the evolutionary Kautski has been settled in favour of the latter," he says bluntly.

He is anxious to dispel any suspicion that the election led in any way to a restoration of the old system, although a fair proportion of the backbench MPs elected on the SLD ticket and many of their voters, still hanker for the good old days when security was absolute, mediocrity was a virtue and laziness came with the job.

But his roots in working class Lodz, a depressed textile town making valiant efforts to revitalise itself, give Mr Miller a shrewd idea of what the voters who put the left back into power will stand. "If Poles feel that the cost of transformation is too high, or too unfair, society will reject market reforms. So it is up to us to protect the continuation of market reforms by making sure that these costs are bearable."

As for fairness, Mr Miller backed down from his controversial proposal to fund higher social spending by imposing a small tax on share transactions in deference to the wider government objective of earning much greater revenue, by selling off state shareholdings through the stock exchange at



Ewa Szychalska: one of the most influential deputies

the highest possible price. That's pragmatism. But the share tax idea is likely to return, as is another of Mr Miller's ideas - that any above budget revenue arising from faster economic growth should at least be partly allocated to higher spending on health, education and pensions and targeted on the poorest and most helpless parts of society. At the same time, however, Mr Miller also supports plans, inherited largely from the previous Solidarity governments, for structural reforms which involve the creation of self-financing, contributory national insurance and national health systems which will take the strain off future budgets.

"Great social reforms are ahead of us in the benefit system, including health and social security. Every reform will hurt somebody's interest and we certainly don't expect any standing ovations. The paradox of Poland is that it is a leftist government which now has to take on such tasks," he sighs.

Anthony Robinson



Unemployed unionists demonstrate outside parliament

Anthony Robinson



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POLAND 8

MEDIA



By a quirk of politics and history, newspaper publishing has become the most fully privatised Polish industry. Newspaper publishing, not steel or glass or cement, is an industry where all the principal companies already possess a foreign shareholder.

It is also an influential industry. In a survey of reading habits, 90 per cent of Poles claimed that they read a daily newspaper at least some of the time, and 88 per cent claimed that they bought at least one weekly.

The explanation for the print media's high level of privatisation can be traced to 1990, when Poland's first non-communist prime minister, Tadeusz Mazowiecki, signed a law dissolving RSW Prasa, the press monopoly which controlled the printing and the content of Polish newspapers.

The law was passed quickly, for political reasons: RSW Prasa was a hated symbol of the old regime.

The RSW liquidation law was much criticised at the time, since it did not always change the ownership of newspapers fairly or successfully. Most provincial newspapers were quickly signed over to "worker-management" groups made up of journalists and editors; other papers were sold by auction to the highest bidder. Robert Hersant, the French owner of Le Figaro, bought shares in seven provincial titles, and paid \$2m for a 49 per cent stake in Rzeczpospolita, one of the two quality dailies with a national circulation.

Other foreign investors include Swiss, Swedish, and American companies. Nikola Grauso, a Sardinian entrepreneur, bought 55 per cent of Zycie Warszawy, a Warsaw regional daily. German companies such as Heinrich Bauer Verlag and Jahr Verlag have entered magazine publishing, and the former tennis star and entrepreneur, Wojciech Fibak, owns shares in several provincial papers and magazines.

Since then, only one national newspaper start-up has been significantly successful - Gazeta Wyborcza, a daily which claims a circulation of 400,000. Its roots lie in the former dissi-

dent movement and its founding editor, Adam Michnik, was a corrosive critic of the old regime.

One of two regional start-ups, including the right-of-centre Czas, a Krakow paper, have also proved successful. So has Nie, a satirical weekly whose editor, Jerzy Urban, is a former communist party spokesman.

With these exceptions, Polish readers have proved remarkably conservative, preferring to buy familiar titles rather than new ones. A series of spectacular failures have deterred others. These include an unsuccessful attempt, backed by the Polish-American Enterprise Fund, to publish a daily along the lines of USA Today.

This conservatism has until now mostly worked in favour of the provincial press. Grzegorz Lindenberg, the former publisher of Gazeta Wyborcza who now edits and publishes a tabloid, Super Express, estimates that 2.5m Poles buy regional newspapers every day.

"Most journalists who work for local papers are connected to the old regime," he said. Some speculate that the influence of the provincial press

may have helped bring to power the present government, whose leaders come from the former communist party and its allies.

Gazeta Wyborcza and Rzeczpospolita, the two quality dailies with a large national circulation, have quite different political orientations. Gazeta Wyborcza is closely linked to the group of centre-left dissidents who helped to form the first post-communist government. One of the first newspapers in Poland to start aggressively pursuing advertisers and to include attractions such as a weekend colour supplement, Gazeta Wyborcza has in the past year lost about 10 per cent of its circulation. Many of its readers defected to Rzeczpospolita, whose circulation has jumped from 250,000 at the start of 1993 to 324,000 in February 1994, and which cleared about \$3m profit last year.

The paper's editor, Dariusz Fikus, attributes this jump to a more efficient regional distribution network, and to the rapid rise of Warsaw's stock market. "With up to 400,000 people now playing the stock market, more people want to

read our financial and economic supplements," he said. Others believe Poles are now more attracted by the impression of neutrality and solidity, and are less interested in reading an overtly politicised newspaper.

If newspapers are heading towards greater objectivity in Poland, they are also heading towards higher technology. Both national papers have also been the beneficiaries of a technological revolution.

Four years ago, Polish journalists wrote on typewriters. Now, with the help of capital coming from foreign investors, Gazeta Wyborcza and Rzeczpospolita have skipped intermediate stages, and moved on to very advanced computer systems.

At Rzeczpospolita, all reporters have laptop computers and modems, which is more than many of their counterparts in western Europe are given. Gazeta Wyborcza has 1,015 computers, 350 of which are linked in a network. Most of the leading newspapers have also purchased or leased new printing plants, and some are planning to move into colour printing.

What none of the Polish newspapers yet has is the kind of clout enjoyed by the western press. "The Polish press is still not in the position to force the political class to do anything," said Mr Lindenberg. Much of the political weakness of the press is blamed on journalists trained in the communist era, not all of whom have been certain of the difference between rumour and news.

Because the press is not thought to tell the truth, press revelations of bribery scandals and financial skulduggery have yet to force a politician to resign.

"Not all of us have learned that we must always write what is true, and that if we do not, we must pay high costs," said Mr Fikus.

The Polish libel law is still weak; although there have been several high-profile libel cases, no leading newspaper has yet been forced to make a large payment to a victim of libel. Until that happens, an air of mistrust will continue to hang over the journalistic profession in Poland.

Anne Applebaum



Old Warsaw: Poles have proved remarkably conservative in their reading habits, preferring familiar titles

Anthony Robinson

PUBLISHING

The press goes private

TELEVISION

Airwaves hit by a storm of criticism

Poland's attempt to establish an independent commercial television channel has run into a storm, confirming the special place politicians continue to accord the medium.

Neither the granting of national broadcast licences to two private radio companies, the Warsaw-based Radio Zet and RMF from Krakow, nor growing concentration in newspaper ownership, seem to attract as much emotion and attention as recent appointments in state-owned television or the granting of the national commercial television licence to Polsat.

Polsat is wholly-owned by Mr Zygmunt Solorz, a 38-year-old entrepreneur from Wroclaw, in south-western Poland. He won the licence in the face of competition from several mixed Polish and foreign consortia.

These consortia included Bertelsmann, G.T.F., the Luxembourg-based European broadcaster as well as CNN and Time Warner. But almost as soon as the decision was announced by the nine-strong National Broadcasting Council, it was criticised.

Most prominently, it was attacked by President Lech Walesa, who dismissed Mr Marek Markiewicz as chairman of the council which was appointed last year by the previous Solidarity-dominated parliament and the president to oversee the airwaves under the country's new broadcasting law.

Mr Walesa would have happily removed Mr Markiewicz from the council itself if he had had the power to do so. Mr Markiewicz had already run foul of the president late last year when he appointed Mr Wieslaw Walendziak, an even-handed journalist in his early thirties with a right-wing background, to head Poland's state-owned TV.

Mr Walesa had wanted Mr Janusz Zaorski, the incumbent, to continue in the job. He was seen as a guarantee that the president would get his fair

share of TV coverage during the presidential election campaign in the autumn of 1995.

But Polsat, where Mr Solorz employs both former communist functionaries and young right-wing journalists of whom Mr Walendziak was one, is also mistrusted by President Walesa, who has publicly accused Mr Markiewicz of "giving the licence to the communists".

The governing coalition, which is at present poorly represented on the council, has stayed aloof from the fray. But it could be tempted in the coming months to pack it with its own supporters.

In the meantime, President

The government, which is poorly represented on the council, has stayed aloof from the fray. But it could be tempted to pack it with its own supporters

Walesa's attempts to undermine the council and have the Polsat decision reversed are being eagerly watched by the losing consortia in the licensing process.

They feel tricked by Mr Solorz, who made great play in public hearings on the licence that his was a solely Polish-owned venture, a ploy which helped win a consensus for his bid among the council members.

Now Mr Solorz says he is talking to many foreign broadcasting companies, which are thought to include Mr Rupert Murdoch's News International, and it could well be that, sooner or later, one will take up the 33 per cent stake which Polish law permits a foreign partner to hold in a broadcasting venture.

Polsat's competitors also argue that as things stand at present Mr Solorz does not have the financial resources or the expertise to run the channel.

Because of problems with

wresting frequencies from the military, for the first few years the channel will be able to reach only 12m viewers, or a third of the potential Polish audience.

But if Polsat faces considerable political uncertainty, the financial problems could be just as great. The Broadcasting Council has imposed very tight rules demanding that Polsat put out locally-made programmes and information programmes. This will increase costs. The council will also have the final say on Mr Solorz's eventual choice of foreign partner.

Meanwhile, the lion's share of the \$130m annual advertising market will continue to go to state TV, with its two channels which cover the entire country. At the same time Mr Solorz, whose company is capitalised at a mere 250bn zlotys, has been bound by the council to increase its capital to 500bn zlotys and then to 1,000bn zlotys before looking abroad for financial support.

Given initially low revenues and the political uncertainty surrounding the licensing decision, that could prove difficult.

The storm also threatens to cloud the chances of the French Canal Plus pay TV company to which the Broadcasting Council has said it will give local licences. The French company's offer proved non-controversial and will not have to depend on a still-to-be-developed advertising market for its revenues.

But Mr Richard Miazek, one of the council's members, has already resigned, complaining of stress. Others could follow. Parliament is due to vote on the council's annual report next month.

Should this be rejected by parliament, the council will have to resign and that would give the present governing coalition the chance to appoint its own supporters. Presumably the process would then start all over again.

Christopher Bobinski

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POLAND 9

POLITICS



"Poland's fate for so long was to be in the slipstream of history, lagging behind developments elsewhere. But the 'round-table' talks of 1989, which led to the first post-communist government in eastern Europe, and the economic reforms introduced by Leszek Balcerowicz [finance minister] in 1990 put Poland in the vanguard of history. We have to build on these achievements and move forward."

The words of Alexander Kwasniewski, the former communist turned social democrat who is now the driving force behind the Democratic Left Alliance (SLD), Poland's largest political party, reflect an extraordinary turnaround in Polish politics.

Five years ago Mr Kwasniewski was one of the communist party's top negotiators, seeking to entrench communist power through a compromise with Lech Walesa, Tadeusz Mazowiecki, Adam Michnik, Bronislaw Geremek and other Solidarity movement leaders.

The outcome of these round-table talks was a deal which ended the communists' post-war monopoly of power, but limited non-communist parties to only 35 per cent of seats in the lower house of the Polish parliament, the Sejm.

Both sides failed to foresee that given the first chance in more than half a century to vent their spleen, voters would give Solidarity an overwhelming

majority by sweeping its candidates into each of the allotted 35 per cent of Sejm seats and all the 100 freely-elected senate seats.

As a result, by autumn 1989, Poland had the first non-communist government in the former Soviet bloc. On January 1, 1990, Leszek Balcerowicz, the new government's ascetic finance minister, devalued the zloty and made it internally convertible. He also swept away a raft of communist-style consumer and producer subsidies and launched Poland on a brave and unprecedented experiment in liberal, free market economics.

Those reforms opened up entirely new perspectives for the development of Polish society and the Polish economy. But Solidarity proved inept at selling its achievements or in softening the impact of reforms on the unemployed and on millions of workers for whom the market economy translated into harder work, lower wages, social insecurity, a fast growing gap between rich and poor and rising crime.

At last September's general elections the electoral wheel came full circle. Voters swept the former communists of the Democratic Left Alliance (SLD) into first place with 171 seats in the 460-seat Sejm, followed by the Peasants Party (PSL) with 131 seats. The Democratic Union (UD), the mainstream Solidarity party, limped in third with 74 seats followed by

the intellectual left-wing Solidarity-linked Union of Labour (UP).

The votes of over 30 per cent of the electorate were neutralised by new electoral rules which introduced a 5 per cent minimum threshold for entry into the new parliament. A raft of right-wing and church-linked Christian parties failed to jump this hurdle. Only the right-wing nationalist Confederation for an Independent Poland (KPN) with 21 seats and President Walesa's so-called non-party reform movement (BBWR) with 16 seats, scraped into the new Sejm.

Significantly, in his first important post-election speech Mr Kwasniewski, leader of the main social democratic faction of the SLD, publicly apologised to Poles for the misdeeds of the 45-year, post-war communist regime. He openly acknowledged the achievements of the Solidarity-based governments as gains for Polish society as a whole.

To sceptics, Mr Kwasniewski's magnanimity in victory was the mark of a cynical *apparatchik*. To others it looked like the gesture of a smart and far-sighted politician laying the groundwork for a future alliance with the intellectual and moral leaders of Solidarity.

Such a "historic compromise" is not yet on the political horizon, although both the SLD and the PSL toyed with such a hypothesis before reluc-



Moment of transition: former communist leaders Leszek Miller, Mieczyslaw Rakowski and Alexander Kwasniewski celebrate their conversion to social democracy four years ago

tantly concluding that the post-electoral political arithmetic left little alternative but to form an SLD-PSL coalition government.

Numerically the government, which is presided over by the peasant party leader, 34-year-old Waldemar Pawlak, the prime minister, is strongly based. It controls over two-thirds of the seats in parliament and has the power to draft a new constitution. In theory, it could last out a full parliamentary term, unlike all previous post-communist governments which fell after a few months in power.

Legislation now passes the once fractious parliament virtually on the nod, a big change from the endless debates followed by cliff-hanging votes

which characterised previous parliaments.

But the two partners make an odd couple. The government looks like a miserable marriage of convenience, with little love or mutual respect between its two very different political components.

The thinly disguised internal tensions burst into the open in January when the prime minister summarily dismissed Mr Stefan Kowalec, the deputy-finance minister. He was held responsible for the embarrassing "success" of the flotation of Bank Slaski, whose shares soared up to 13 times their issue price at their debut on the Warsaw Stock Exchange.

The "scandal" deepened when it emerged that few, aside from lucky bank employees, had been able to register their shares in time to actually sell them at the initial high price. Unconfirmed rumours swept town of a "swindlers'

list" of politicians and others who had been able to buy and dispose of shares at favourable rates.

With hindsight the shares were sold too cheaply and listed prematurely. But that did not seem the case during the long and difficult months when the privatisation authorities were desperately seeking a foreign bank to buy a minority share and were unsure of the public's appetite for bank shares.

Mr Kowalec, a technocrat brought in by Mr Balcerowicz back in 1989, was slated to become the "fall man" for the mistake. But the expectation was that he would be sacked by Mr Marek Borowski, the SLD finance minister, not the prime minister.

The affair rapidly became a power struggle between the prime minister and Mr Kwasniewski who holds no ministerial post but is widely per-

ceived as the real power behind the throne.

The culmination came when Mr Borowski sought both to reaffirm his control over the appointment of his deputy and concentrate economic decision-making generally in his hands. He offered to resign if his demands were not met. Mr Pawlak, whose main aim was to underline that he was *de facto* as well as *de jure* head of the government, called his bluff and Mr Borowski resigned.

The shock move badly wrong-footed Mr Kwasniewski who hitherto had treated Mr Pawlak as a political lightweight. It also cast new light on the role played by Mr Michal Strak, the deceptively relaxed and jovial head of the cabinet office who is the main strategist behind the PSL.

"After the elections there was a widespread perception that Poland had a one-party government again. That was wrong. But now people talk of irreconcilable differences between the government partners and that's not true either," says Mr Strak. "There is no alternative to this coalition and that creates a framework for the government to carry on," he adds.

Mr Strak is adamant that the prime minister, who is popular among his farming and small-town constituents but looked down upon as an inarticulate bumpkin by political salon Warsaw, will continue to use his premiership to lead the government.

Mr Pawlak's own priority is to ensure that government policies favourably impact on his

party's rural constituents. "It is better to provide farmers with \$50 of cheap credit than throw them off the land and have to find \$500 for unemployment pay," he says. "With 15 per cent of Poles already unemployed we have to encourage those who are working and maintaining their families," he adds.

For a government with such a clear parliamentary majority its peasant party component has curiously unambitious long-term plans. "Previous governments were reformist governments. We don't consider ourselves as reformers. Our task is to deal with problems as they arise and above all to make the machinery of government more efficient," says Mr Strak.

The idea of modest government is attractive to many after the turmoil of the last five years, particularly if a period of calm permits the further development of civil society, a stronger role for local governments and the sort of prosperity which allows the development of a stable middle class.

But there are several clouds on the horizon, including the shift back to authoritarian nationalism in Russia, a looming parliamentary conflict over the proposed Concordat with the Vatican and the presidential elections scheduled for 1995. The latter is already casting a shadow over contemporary politics as President Lech Walesa manoeuvres for support after coming to the conclusion that his main potential rival is none other than Mr Kwasniewski himself.

FOREIGN POLICY

Integration remains the goal

Twice in 200 years, Poland has disappeared from the map of modern Europe. The first time followed its partition between Russia, Prussia and Austria at the end of the 18th century. The second calamity occurred in 1939 when Poland was carved up between Nazi Germany and Stalin's Soviet Union.

Such a history inevitably leaves traumatic memories, and conditions the basic aims of Polish foreign policy. These are the prevention of any future risk of isolation, by integrating Poland into European economic and security structures to the west, and the cultivation of close economic as well as political links with its neighbours to the east.

Until two years ago Poland's eastern neighbour was a monolithic Soviet Union. Now, apart from a short common border with the Russian enclave of Kaliningrad, it is separated from Russia by the Bal-

tic states, Belarus and Ukraine.

Poland's foreign minister, Mr Andrzej Olechowski, is ideally placed to operate on both the western and eastern fronts of diplomacy. A former central banker, who worked for years at the World Bank in Washington, he was in charge of negotiations with the European Community which led to Poland's association agreement with the EU.

He knows the nit-picking reality behind the EU's fine words about need for greater European integration. He also knows that the main obstacle

to the entry of Poland and other central European states into an enlarged EU is the Common Agricultural Policy.

At the same time, his experience at the centre of economic and financial decision-making during Poland's economic transformation equips him with an understanding of the problems facing Russia, and even more so Ukraine.

Poland's worries about the east are not military. The Russian army is demoralised and pre-occupied. Vladimir Zhirinovskiy, the chauvinist victor of December's Russian elections, is a worrying symbol of hurt

pride and the darker side of the Russian psyche, but not a new Stalin.

Poland's worry, shared by its central European partners, is of de-stabilising flows of refugees and criminals from the east. A still distant nightmare is the danger of conflict between Russia and Ukraine.

Ideally, Poland would like to be under the security umbrella of full Nato membership, but has accepted for the time being the half-way house of the partnership for peace. But when Mr Andrei Kozyrev visited Warsaw as part of his European tour last month security matters took up only a tiny portion of their talks.

Instead, the Poles put forward a 26-point proposal for closer economic and financial co-operation, not on the old state to state basis, but mainly between private business people on both sides.

Anthony Robinson

Christopher Bobinski on Solidarity's position after the election shock

Out of defeat, a new purpose

The defeat last autumn of Poland's Solidarity-rooted coalition government by parties with a communist past has given the 2m-strong Solidarity Trade Union a new lease of life.

At last the movement, which proudly carries the mantle of its legendary anti-communist struggles, has regained a sense of purpose. The Solidarity Union failed to get any MPs into the powerful lower chamber of parliament and this defeat shocked it into refocusing its future as a trade union rather than as a stand-alone political movement.

Mr Marian Krzaklewski, a 43-year-old computer designer from the Academy of Sciences in the industrial district of Silesia has led Solidarity since Lech Walesa left his former power base to become the President of Poland in 1992 has learned the lesson well.

Talking in Solidarity's Gdansk headquarters, only 500 metres from the shipyard where an 18-day strike won trade union rights for workers in 1980, he stubbornly avoids being drawn on the political implications of Solidarity's present militant stance.

Instead, supported by matter-of-fact officials, Mr Krzaklewski prefers to stick to Solidarity's demands. Above all the union wants the government to honour the pledge made by its Solidarity-based predecessor that real incomes will grow in line with GDP and that more money be spent on fighting unemployment.

Clad in Solidarity's traditional dress of jeans and jumper, long discarded for suits and ties by those of the movement's leaders and supporters who over the past five years have gone into government or business, Mr Krzaklewski is obviously a man under a great deal of pressure.

Talking fast he reaches repeatedly for pencil and paper to illustrate his points as he emphatically rebuts critics in the government and the media who see the union's stance as dangerously populist and risks opening the floodgates of inflation. At the same time he knows he is leading a movement whose increasingly impatient membership has experienced annual falls in real wages since 1990 and wants the trend reversed.

"The last government led by Mr Hanna Suchocka promised us that real incomes would grow by half the rate of increase of GDP," he says reaching into his files to show an agreement signed after a three-week strike in the Silesian coal mines in January 1993. "But real wages fell by 3 per cent last year while GDP grew by 4 per cent."

That alone would have been enough "in Germany, Spain or Italy for a general strike," he adds. This year people will settle for zero growth in real incomes but not a further fall, he concedes as he prepares to follow up the demonstration by 30,000 Solidarity supporters in Warsaw last month with a campaign of selective strikes

designed to force changes in government policies. But, bitterly, Mr Krzaklewski admits that it was the previous government which failed to stick to its promises on incomes which last summer prompted Solidarity, then represented in parliament, to put the motion of no confidence which led to Ms Suchocka's downfall.

But the present administration has also been in no hurry to inaugurate a standing trilateral committee of government employers and unions which was agreed with Ms Suchocka last spring to seek consensus on economic policy.

The committee, which is central to Mr Krzaklewski's hopes of establishing a stable "system" of consultation, was set up only last month after work on the stringent 1994 budget was virtually complete. Solidarity's main tactical aim now is to press for an easing of this year's planned 28 per cent price rise for electricity and 60 per cent for central heating.

The union also wants income tax thresholds raised and wage controls removed to enable real wages to rise this year. Mr Krzaklewski insists that he is not asking for this year's \$3,000bn zloty budget deficit to be increased. "There is quite enough money for alleviating social needs in the present budget," he says. "The problem is that it's been spent wastefully up till now and hasn't gone to those who really need support."

Solidarity also wants the present government to put

through legislation enabling collective wage bargaining to go ahead at both the national and shop floor levels. This is another subject, central to Solidarity's strategy, on which the previous government dragged its heels. At present the only statutory obligation on employers is to pay a minimum wage which was set at a 1.8m zlotys a month last October.

Mr Krzaklewski argues that a system of collective wage bargaining would help the government and the union to decentralise conflicts. More crucially, from the union's point of view, it would also provide a way into the private sector where Solidarity is sorely under-represented.

Mr Krzaklewski says he is not engaged in a crusade against the government because of its communist roots and can live with it, provided it is able to deliver higher living standards. But he does not like the "post-communists", as he calls them, and stresses that "if they were to start infringing human rights then Solidarity would have to react".

The question that Mr Krzaklewski leaves unanswered, is what happens if industrial discontent grows in Poland to such an extent that the government's position is threatened. Who would Solidarity support then? The former Solidarity-linked parties now in opposition, or President Walesa, the historic flag bearer of militant Polish unionism who is gearing up for re-election in 1995? Time will tell.



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■ Profile: STARACHOWICE

Star-struck town fights back

Starachowice, a socialist-style company town of 60,000 souls half way between Warsaw and Krakow, has been a classic loser from the wrenching changes which have swept across Poland over the past five years. But a new joint venture meat packing plant with 51 per cent US control, and a refinancing plan for the town's main employer, the Star truck factory, has brought the first glimmer of hope to a town where 37 per cent of the workforce is unemployed.

Most have been out of work since the Star truck plant fell on hard times three years ago. In its heyday in the mid-1970s Star turned out 20,000 trucks a year. Virtually everything in the town - central heating for homes and public buildings, the hospital, the kindergarten, the high-rise housing estates, the foundry and a cluster of sub-assembly and component plants - depended upon it.

For decades Star turned out the same old models. It had no marketing department, and did not need one. Every year a certain proportion of output was allocated to the Polish military, some were painted light khaki and shipped abroad to places such as Mozambique and Angola, and others were allocated to various Polish enterprises or exported by state-owned foreign trade corporations, mostly to other Comecon "customers".

It was a quiet life and a steady one for the 11,000 employees of Star and their families, although that did not prevent Starachowice being one of the hotbeds of the anti-communist Solidarity movement. But its real troubles began only after Solidarity ousted the communists.

First came the cut in military budgets. Then the Comecon market collapsed. Then privatisation of the former state-owned transport companies, the bankruptcy of many large state-owned companies and the preference of the emerging new private sector traders for cheap, second-hand imported vans, caused demand to collapse.

Output last year declined to 1,600 vehicles, of which nearly 60 per cent were small seven-

ton models hastily introduced in an attempt to satisfy the demand for smaller vehicles. An increasingly desperate search for a foreign partner ended without success after first Volvo then Renault failed to obtain tariff protection for their assembly operations.

Potential foreign partners were also deterred by the social problems involved in taking over an old-fashioned, highly indebted state-owned plant with strong union traditions. Fortunately, inherited problems were not high on the agenda at the huge unfinished construction site on the edge of town which lay abandoned for nearly a decade after the government ran out of funds.

With the help of financial and other incentives from Warsaw, and lobbying by the town council led by its dynamic young mayor, Mr. Grzegorz Wakendzie, the Epstein group, a private, Chicago-based meat processing and engineering company with links to the Polish Diaspora, agreed to invest \$30m in completing and equipping the plant. The result was Constar, a joint venture in which Epstein teamed up with Animex, a state-owned food processing and trading company.

The new plant, which turns out 160 tonnes of processed meat a day, employs 1,400 workers and supplies most of southern Poland and export markets in the US and Europe, including Russia.

Another 100 jobs were created by a new cigarette factory which makes cheap cigarettes selling for the equivalent of 10 US cents a packet using the poorest quality Polish tobacco and reconditioned Molins cigarette-making machines which were bought as scrap. Soon the machines will be shipped to Belorussia where they will be re-assembled and the Starachowice plant will be re-equipped with new machines fed with higher grade tobacco.

But the main grounds for optimism surround the future of Star itself. A financial restructuring plan has been put together by Bank Rozwoju, the Polish Development Bank, on lines similar to its highly

successful restructuring plan for the Szczecin shipyard.

The Szczecin yards have become a textbook case of a restructured loss-making state company which was restructured, made profitable and then prepared for privatisation. The Star plan hopes to repeat the performance.

The starting point was the purchase by Bank Rozwoju of Star's debt with Bank Slaski "at a very high discount", according to Mr Wojciech Kosztrzewa, Rozwoju's president. The bank then arranged a 95 per cent write-down of the 1,700m zloty (\$80m) debt and accumulated interest, linked to a debt/equity swap and an undertaking by Star to repay 6 per cent of its principal debt (without accumulated interest) to creditors in 12 monthly payments.

The unions, meanwhile, agreed to a further 25 per cent cut in employment levels from 4,000 to 3,000 while the government agreed to finance severance pay.

"We now hope to attract foreign investors to introduce new models. The difficulties which put them off in the past have been largely eliminated. We can now offer a debt-free, slimmed down company with a workforce and management eager to make the plant viable," says Wojciech Dworzanski, the deputy manager.

For Zbigniew Rafalski, the Solidarity union leader at the plant, the agreement is the culmination of three bitter years for workers who have struggled hard to preserve their dignity along with the plant but have come to terms with the realisation that it will not, and should not, return to its former size or importance.

In recent weeks, management and unions have been talking to a team from KIA, the South Korean truck company, which is looking for a low cost assembly base to supply its planned expansion into European markets. But they, and the town itself, are still open to other offers both for Star, its hived off subsidiary companies, and future green-field investments.

Anthony Robinson



Zbigniew Rafalski: agreement is the culmination of three bitter years for workers who have struggled to preserve their dignity. Picture: Anthony Robinson

Advertising is changing the appearance of Warsaw

On the train travelling from west to east, Berlin, it was once easy to spot the frontier just by watching where the bright lights ended and the sombre gloom began.

In the past five years free market economics have begun to blur the difference as the appearance of eastern European cities changes with outdoor advertising covering the still shabby exteriors of most buildings.

In Warsaw, few have done as much to change the way the city looks as Catherine Sienkiewicz, the owner of Adpol, a company which owns 200 western-style illuminated bus stops carrying advertising. Standing on the eighth floor of the Universal building above one of the city's busiest points, Ms Sienkiewicz, an attractive blonde, says she went into business once communism collapsed in 1989.

Ms Sienkiewicz's first steps, like those of many Poles now in private business, was in imports of electronics goods. "We ran a bonded warehouse," she says. Now, from her office she can see a crowd of people waiting for buses and trams at her red-painted plexiglass and steel bus shelters.

The idea came to her and her erstwhile partner Mr Andrzej Litwinski, an Anglo-Pole and refugee from

Poles begin to see the lights

Merrill Lynch in 1991, and the original six shelters came from the United Kingdom.

Now they are manufactured in Poland and their cost makes up the lion's share of the company's total 30bn zloty investment to date. Adpol still quotes its prices in pounds sterling as a reminder of the early days.

Funded through bank loans the company made a small profit last year, its second full year of operation with turnover worth 10bn zlotys in 1992 growing steadily. "Our turnover in the first two months of 1994 has already reached 5bn zlotys," says Ms Sienkiewicz who has received several offers from foreign companies ready to buy into

her firm.

She refused, she says, because "this is my future". Adpol is now planning to expand into other cities such as Gdansk on the Baltic coast. Five per cent of Adpol's turnover goes to the Warsaw city authorities under a 15-year agreement.

The bus company, which is still owned by the city, saves on the arrangement because it does not have to clean the shelters each night. That is organised by Adpol.

Ms Sienkiewicz says the advertising market is growing year by year, with more foreign companies coming in to the country and local ones increasingly appreciating the merits of its product.

One fifth of the advertisements on the bus stops come from Polish-owned companies, the latest being a Warsaw-based fat producer which has decided to take on Unilever with its own Nova margarine brand.

But most of the business comes from the multinationals such as Philip Morris and Master Foods as dog food and tobacco vie for the attention of bus travellers and motorists stuck in increasingly common Warsaw traffic jams.

Christopher Bobinski

■ BREWERIES

Taste of bitter competition to come

When Heineken recently announced its agreement to invest \$40m in Poland's Zywiec brewery it drew attention to a lively industrial sector which is making efforts to adapt to the challenges of a free market economy.

At present the industry, which produces around 14m hectolitres a year to satisfy local drinkers' 40 litres per capita annual consumption, is heavily protected by tariffs. But leading managers, such as Adam Loewe from Zywiec and Pawel Sudol at the recently privatised Poznan brewery, know that their companies have a few years at most to modernise before they come face to face with competition

from more efficient western European brewers. Competition will intensify when customs barriers come down, in conformity with Poland's association agreement with the European Union.

Brewers have had a taste of what is to come from a group of Australians led by Tony Oates, formerly Alan Bond's finance manager, who in 1991 established a \$200,000 joint venture with two brewing companies in Gdansk and Elblag, in northern Poland. The resulting modernisation and expansion brought output up to 1.8m hectolitres last year.

Higher output has been coupled with aggressive marketing which has seen the Australian-

owned beer encroach on the Silesian market. Silesia is the beer-swilling mining and heavy industrial part of southern Poland which is the home of state-owned brewers such as Tychy and Zabrze as well as Zywiec.

Zywiec, a listed brewery, had already responded to the challenge by developing an advertising campaign designed by J. Walter Thompson seeking to change the drink's image and aiming it at the prosperous young. It is more expensive than other brands giving it a higher profit margin. It also developed a nation-wide distribution organisation modelled on the methods of companies like Coca-Cola.

However, the decision by the independent-minded Mr Loewe of Zywiec to enter into the alliance with Heineken which gives the Dutch company a 25 per cent share, showed that even Zywiec with its 8 per cent market share and relatively strong profits, felt that time was running out.

In contrast, management at Okocim, the other listed brewery, found last month to its surprise that Brau und Brunnen, a leading German brewery, had secretly been buying up its equity and announced that it controlled a 25 per cent share. The German decision was taken last year after it dropped plans to build a new brewery near Brzeg in

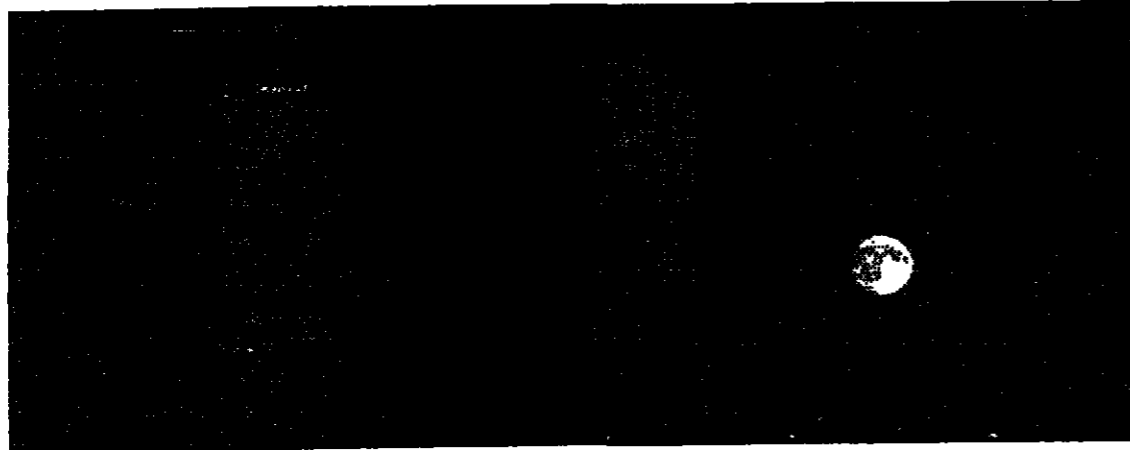
southern Poland at a cost of DM145m (\$82m).

Foreign investment elsewhere in the industry has been delayed by a ban on sales of state-owned breweries to foreign companies. This has led to delays in privatisation of the sector which saw a sale early in 1992 of 30 per cent of the Koszalin brewery to Holsten, another German company. This was followed by a hiatus which ended last autumn with the sale of the Poznan brewery to a local investor.

Next in line is Ringnes, the Norwegian brewer, which is hoping to purchase the ailing Warka brewery.

Christopher Bobinski

At the Centre of Events.



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Mr Andrzej Kassenberg, an

But as national figures show, water pollution continues to worsen, and the problem of disposing of the cities' solid waste is increasing. Meanwhile, rural areas lag behind: only 5 per cent of households in villages have plumbing and 2 per cent sewage treatment, compared to around three-quarters of the

But the funds are handicapped by some companies' inability to pay. According to Ms Anna Zawiejka, deputy-director of the Katowice environment department, the coal mines are particular offenders. Nor can they afford to invest in water treatment plants to remove the salt.

She points out, too, that if a struggling industrial plant which has not paid its environmental charges is taken over "the buyer wants any liabilities to be cancelled".

The heart of the problem is the threat that environmental spending appears to pose to

jobs. Mr Jerzy Wertz, director of the environmental protection department in Krakow, estimates that 120,000 people are dependent on the Nowa Huta steelworks. "It is by far the most important employer in the region, he says.

Environmentalists and local

government officials say a growing awareness of that potential conflict, and growing worries about redundancy, have made people in the region ambivalent or even hostile to environmental improvement. According to Ms Zawiejska, "in 1989 Solidarity wanted the

Mr Jan Wrobel, a director at the national ministry of environmental protection, says he

Air pollution and river quality		
	1980	1990
AIR POLLUTION (tonnes per km²)		
National average		
Sulphur dioxide	9	6
dust and carbon particles	8	2
Slieve		
Sulphur dioxide	143	58
dust and carbon particles	96	18
RIVER QUALITY		
% of river lengths ranked as Class 1 (cleanest)	6	2
% failing to be classed because of pollution	36	60

Source: Environment Agency

can understand environmentalists' fears that companies investing in Poland to take advantage of lax environmental standards. But in the long run, he argues, these fears are unjustified: Poland's standards will be brought up to those of western Europe. "We do not allow factories to come into being which break the rules."

But others remain sceptical. According to Mr Kassenberg, "my fear is that if Poland becomes a European tiger, as some people say, air pollution will go back to where it was".

Bronwen Maddox

Bronwen Maddox visits an unspoiled wilderness where wildlife abounds

Two hours east from Warsaw, the road becomes entangled in the Biebrzy marshes - 100 kilometres of peat bog, the largest in Europe.

For years the region has been a twilight zone of half-forgotten villages connected by potholed roads. The ethnic and

The forests, formerly hunting grounds for aristocrats, were protected as a nature reserve under communism.

Poaching is a concern — hunters do not attack the bison

Pride of the forest: Poland's bison were coaxed back from near extinction after the second world war

So is the antagonism of farmers bordering the forest, whose crops are regularly raided by adventurous herds.

But one of the reserve's most controversial tasks is keeping down the numbers - the bison, which mainly eat grass, also strip the bark from ash and oak.

However, it still must shoot several dozen a year to keep the population stable. The staff "pick the ones with defects - those which are weaker, or

however. "We don't want mass tourism here", says Mr Krasinski. "Sure, money is a problem, but somehow we always manage."

Individual investment projects in all other sectors are serviced by a General Project Manager.

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